

U.S. Government Assistance to and Cooperative Activities with the New Independent States of the Former Soviet Union

FY 2000 Annual Report



Submitted Pursuant to Section 104
of the FREEDOM Support Act
(Public Law 102-511)

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FOREWORD

This report describes U.S. Government activities that supported reform in the twelve New Independent States (NIS) of the former Soviet Union during fiscal year (FY) 2000. In FY 2000, the U.S. Government continued to redirect its NIS assistance activities away from technical assistance to central governments and towards support to non-governmental organizations, small and medium-sized private businesses, independent media, and reform-oriented regions and cities. Exchange programs and partnerships between U.S. and NIS organizations were again an increasingly important part of the U.S. assistance effort in the NIS. FY 2000 also witnessed a significant increase in U.S. assistance aimed at reducing threats from former Soviet weapons of mass destruction, preventing weapons proliferation and promoting regional stability.

While assistance is only one aspect of the U.S. relationship with the NIS, it is a critical element of our engagement with this strategically important region of the world. In this report, we attempt to provide as comprehensive a look as possible at the full range of these assistance activities.

Ambassador William B. Taylor, Jr.
Coordinator of U.S. Assistance to the NIS

U.S. Government Assistance to and Cooperative Activities with the New Independent States of the Former Soviet Union

FY 2000 Annual Report

Prepared by the Office of the Coordinator
of U.S. Assistance to the NIS

FREQUENTLY USED ABBREVIATIONS

| | |
|-----------|---|
| A&E's | audits and examinations |
| ABA/CEELI | The American Bar Association's Central and East European Law Initiative |
| ACV | armed combat vehicle |
| BW | biological weapons |
| CAAEF | Central Asian - American Enterprise Fund |
| CTR | Cooperative Threat Reduction Program |
| CW | chemical weapons |
| DARPA | Defense Advanced Research Projects Agency |
| DEF | Defense Enterprise Fund |
| DoD | U.S. Department of Defense |
| DOE | U.S. Department of Energy |
| DTRA | Defense Threat Reduction Agency |
| E&E | USAID's Bureau for Europe and Eurasia |
| EBRD | European Bank for Reconstruction and Development |
| ECA | Bureau of Educational and Cultural Affairs (formerly known as USIA or USIS) |
| EPA | U.S. Environmental Protection Agency |
| ETRI | Expanded Threat Reduction Initiative |
| EU | European Union |
| Eximbank | U.S. Export-Import Bank |
| FMF | Foreign Military Financing |
| FSA | FREEDOM Support Act* |
| FY | fiscal year |
| GDP | gross domestic product |
| IAS | International Accounting Standards |
| IBRD | International Bank for Reconstruction and Development |
| ICBM | intercontinental ballistic missile |
| IDP | internally displaced person |
| IFIs | international financial institutions |
| IMET | International Military Education and Training |
| IMF | International Monetary Fund |
| IPR | intellectual property rights |
| m | million |
| MoD | Ministry of Defense |
| MOU | memorandum of understanding |
| MPC&A | material protection, control and accounting |
| MT | metric ton |
| MVD | Ministry of Internal Affairs |
| NATO | North Atlantic Treaty Organization |
| NGO | non-governmental organization |
| NIS | New Independent States of the former Soviet Union |
| NPP | nuclear power plant |
| NPT | Nuclear Non-Proliferation Treaty |
| OPIC | Overseas Private Investment Corporation |
| ODIHR | OSCE Office of Democratic Institutions and Human Rights |
| OSCE | Organization for Security and Cooperation in Europe |
| PCV | Peace Corps volunteer |
| P.L. | Public Law |
| PSA | production-sharing agreement |
| PVO | private voluntary organization |
| RI | Regional Initiative |
| RFE | Russian Far East |
| SLBM | submarine-launched ballistic missile |
| SMEs | small to medium-sized enterprises |
| SNAE | strategic nuclear arms elimination |
| S/NIS/C | Office of the Coordinator of U.S. Assistance to the NIS |
| SOAE | strategic offensive arms elimination |
| SSBN | ballistic missile submarine |
| START | Strategic Arms Reduction Treaty |
| TACIS | The European Union's technical assistance program for the NIS |
| TDA | U.S. Trade and Development Agency |
| TUSRIF | The U.S.-Russia Investment Fund |
| UNHCR | United Nations High Commissioner for Refugees |
| USAID | U.S. Agency for International Development |
| USDA | U.S. Department of Agriculture |

| | |
|--------|-----------------------------------|
| WFP | United Nations World Food Program |
| WMD | weapons of mass destruction |
| WNISEF | Western NIS Enterprise Fund |
| WTO | World Trade Organization |

*Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act

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I. INTRODUCTION

For the twelve New Independent States (NIS) of the former Soviet Union, fiscal year 2000 (FY 2000) was a year marked by uneven progress toward stability, democracy, and market-based economies. Positive developments on the economic front were paralleled by generally negative trends with regard to democratic reform. For the first time since the breakup of the Soviet Union, all twelve NIS countries registered increases in gross domestic product (GDP) during calendar year 2000. These official GDP statistics were supported by numerous anecdotal reports confirming real, though incremental, improvements in the standard of living for many citizens of the NIS countries. At the same time, however, a series of deeply flawed presidential and parliamentary elections were held in several of the NIS, and many governments in the region continued to suppress the development of civil society and to stifle critical voices in the media. A particularly disturbing trend was the apparent backsliding on press freedom and attitudes toward non-governmental organizations (NGOs) evidenced by the new Russian Government under Vladimir Putin. In the face of these and other challenges during FY 2000—including the continuing threat that destabilizing weapons of mass destruction (WMD) might proliferate, and a devastating drought that affected the southern tier of the NIS—the U.S. Government's NIS assistance programs combined a steady focus on long-term objectives with a flexible response to critical short-term needs.

U.S. Government assistance to the NIS is based on a twin set of premises: that the United States has a long-term strategic interest in what kind of states the NIS become; and that the outcome is more likely to be favorable if we remain engaged as partners in that transition. Few would argue with the first premise: U.S. national security will clearly be enhanced if the NIS become market-based democracies, and if their WMD arsenals are secured and reduced in size. The second premise is more open to debate—critics of U.S. assistance over the past nine years have found examples where the U.S. Government's efforts fell short of desired objectives. Skeptics about the utility of continuing U.S. engagement with the NIS through assistance programs can also point to the undeniable fact that, despite billions of dollars spent over a nine-year period, not one of the NIS has made the type of successful transition seen in a number of countries in Central and Eastern Europe. Nevertheless, U.S. Government assistance to date has had—and can continue to have—a positive impact on the long-term development of the NIS, as long as the lessons of past successes and failures are taken into account and the programs are tailored to the specific needs and characteristics of each country. It should also be stressed that the U.S. Government views its NIS assistance programs not only in developmental terms, but as an essential component in our overall relationship with these countries—these programs are not only promoting democratic and market reform, and helping prevent WMD proliferation and other threats to U.S. national security, but they are also helping the U.S. to build constructive diplomatic, trade and people-to-people relationships with the region.

Probably the most important lesson learned over the past nine years has been that the transition process in the NIS will be a long one—generational change is required. Over the past four years, the Coordinator of U.S. Assistance to the NIS has attempted to reorient U.S. Government assistance to take this reality into account. This has meant shifting resources into grassroots programs, such as exchanges and Internet access, as well as support for NGOs, independent media, small business, and reform-minded regions and cities. In FY 2000, for the fourth consecutive year, the overall budget for NIS exchange programs was increased. Meanwhile, across the NIS, dozens of new public Internet access sites were opened, and literally thousands of NGOs, media outlets, and entrepreneurs received grants, loans, and various kinds of training.

Another important lesson learned has been that assistance will only be successful when the recipients are committed to implementing change. With this lesson in mind, in FY 2000, the U.S. Government continued to carefully select when and how it engaged with central governments in the NIS countries. Where critical national security interests were at stake—as was the case with efforts to prevent WMD proliferation or to counter the threat of terrorism in Central Asia—the U.S. Government worked closely with central governments, which are responsible for dealing with such matters. In terms of economic and political engagement, however, the U.S. Government has scaled back or eliminated altogether its technical assistance to NIS governments that have shown little or no genuine interest in reform. For example, the small size of U.S. Government assistance programs in Belarus and Turkmenistan reflects those governments' resistance to reform, and the reduced amount of economic technical assistance to Uzbekistan in FY 2000 was a reflection of the U.S. Government's disappointment with the lack of progress in that country's reform agenda. Conversely, the U.S. Government continued to provide robust technical assistance for government-led reform efforts in Moldova (which continued to be a leader among the NIS in this regard), and in both Georgia and Ukraine where, despite slow progress, both governments appeared to be moving in the right direction in several key reform areas during FY 2000.

It is important to maintain a long-term perspective on the evolution of the NIS. When U.S. Government assistance to the NIS began in 1992, few envisioned that the U.S. Government would still be actively engaged in these assistance efforts nine years later. However, at the time, few understood the depth of the challenges faced by the NIS countries in transforming a political, economic, and social system deeply scarred by 70 years of Communist rule. In measuring progress over the past nine years, our benchmark ought not to be the hopes and expectations of the early 1990s—when it was widely anticipated that the twelve NIS countries would become new democratic and free-market allies of the United States—but rather the Soviet Union of the Cold War era. This report contains ample evidence that we have come a long way from the era of U.S.-Soviet rivalry, both in terms of the types of political, economic, and social systems that exist in the NIS, and in terms of the level and quality of U.S. engagement with these post-Soviet states.

This report describes in detail the activities carried out under U.S. Government-funded assistance programs during FY 2000, and assesses the results of these activities. These programs focused on the following four areas: (1) promoting democratic institution-building, the rule of law and the establishment of civil society; (2) helping promote market reform; (3) enhancing U.S. security through cooperative threat reduction and nonproliferation efforts; and (4) addressing urgent humanitarian needs. The following four sections provide brief overviews of each of these four areas.

Democratic Reform Programs

Democratic reform in the NIS remains a long-term, generational process that can be advanced directly and indirectly by a sustained, judicious commitment of resources. In FY 2000, U.S. Government-funded assistance programs continued to support the development of an active civil society in the NIS. The U.S. Government's efforts focused on promoting reform, both bottom-up from the grassroots and top-down through cooperation with reform-minded governments. In particular, U.S. Government assistance programs sought to engage the next generation of leaders, promote free and fair elections, increase access to information, foster active NGOs, improve the rule of law, and combat corruption.

Recognizing that its ability to promote institutional reform through central governments in the NIS is at best limited, the U.S. Government has expanded exchanges and other programs that reach out to the next generation of NIS leaders. For example, in June 2000 in Ukraine, President Clinton announced the Next Generation Initiative, which doubled the levels of several exchange programs that bring young Ukrainians to the United States. Exchanges bring young people from the NIS countries into contact with their U.S. counterparts and a multitude of ideas and viewpoints. Armed with new information and new ways of thinking, exchange program participants return to their home countries energized and prepared to effect change. Over 80,000 NIS students, entrepreneurs, regional and local government officials and other young professionals have participated in U.S. Government-funded exchange programs since 1993. Alumni of these programs often state that their exchange experience radically altered their understanding of democracy as a form of government and as a way of life, and gave them a whole new appreciation of the United States and the American people. In those countries whose governments continue to exercise tight control over civil society, exchange programs have proven to be a valuable—and sometimes the only feasible—way to promote democratic development.

Numerous presidential and parliamentary elections were held in the NIS in FY 2000, but with notable setbacks. While U.S. Government assistance programs helped many of the NIS countries make positive changes in their electoral laws, a number of these countries continued to fall far short of meeting international standards in implementing these laws. International monitors identified serious flaws in elections held in Kazakhstan, Kyrgyzstan and Azerbaijan. In Ukraine, widespread allegations of government harassment of the media marred the presidential elections, as well as the referendum on executive and legislative power. Similar complaints followed the Georgian presidential race. By supporting domestic election monitoring groups and voter education efforts, U.S. Government assistance sought to help make these elections more free and fair. In Ukraine, for example, the U.S. Government provided assistance to the Freedom of Choice Coalition, which brought together diverse groups of citizens and NGOs and fielded election monitors throughout the country, who prepared and broadly distributed critical assessments of voting irregularities. The Freedom of Choice Coalition, which is based on the highly successful Slovak example, was formed by Ukrainian youth after a visit to Slovakia, where they met with their Slovak counterparts. Similar election monitoring groups were active in Russia and Kyrgyzstan.

FY 2000 saw a number of attempts by central and regional governments in the NIS to suppress critical views. In Russia, President Putin's Information Security Doctrine, as well as government harassment of media magnates Berezovskiy and Gusinskiy, signaled the government's adoption of a more interventionist stance toward the media. Throughout the NIS, governments used tax inspections, lawsuits and sometimes physical threats to harass, intimidate, or shut down media outlets that had been critical of the state. These policies resulted in the closing of some media outlets and led many others to practice self-censorship. U.S. Government programs attempt to counteract this trend by continuing to expand NIS citizens' access to multiple sources of information, primarily through direct support for independent media and access to the Internet. Independent media were supported through training, legal support and networking activities that allowed them to pool their scarce resources and disseminate news throughout the region. In addition, the U.S. Government further expanded its public-access Internet sites throughout the NIS: 53 sites are up and running, with another 64 planned to open in FY 2001. Throughout FY 2000, the U.S. Government continued to keep a close watch on NIS governments' attempts to monitor and/or censor Internet communications, and raised concerns through diplomatic channels when appropriate.

Assistance to NGOs continued to be a major component of the U.S. Government's democracy programs in the NIS, particularly small grants and targeted training to promote stronger NGO management, networking and effectiveness. On the whole, NGOs continued to grow stronger and more numerous in the NIS in FY 2000, and their relationships with local governments and the business sector continued to improve. In some cases, local governments are now looking to NGOs to deliver social services and advise them on allocating resources and formulating government policy. Particularly in areas such as combating trafficking in women and domestic violence, governments increasingly acknowledge the important role NGOs play as the link between citizens and government. Slowly, businesses are also starting to recognize the opportunities for cooperation with NGOs, and philanthropy has increased, despite the fact that tax laws in the NIS countries do not provide incentives to donate funds. In some countries, increasing harassment of NGOs by government authorities has aroused concern. For example, the September 2000 raid on the Glasnost Foundation in Moscow has led many to question the sincerity of President Putin's public claims that Russia needs a strong civil society.

Building respect for the rule of law also continued to be an integral component of U.S. Government-funded assistance efforts in FY 2000. To be successful, these efforts require NIS governments to exhibit the necessary political will. Recognizing the heavy toll that corruption inflicts on their societies, some NIS governments and NGOs are undertaking efforts individually and collectively to fight corruption. We are working closely with courageous NGOs, media, entrepreneurs, legal professionals, local governments and others to put in place laws on transparent budgeting and procurement at the municipal level. As a result of U.S. Government assistance, some regional governments have instituted regular town meetings and are now posting their budgets on the Internet. The U.S. Government is also providing training in judicial ethics and international accounting standards, and helping businesses develop anti-bribery codes of conduct. In FY 2000, the U.S. Government worked closely with the Government of Georgia to launch its anti-corruption commission.

Economic Reform Programs

In FY 2000, the economies of many of the NIS countries grew at a solid rate. In Russia, the economy bounced back strongly from the 1998 financial crisis, and Ukraine saw its economy expand for the first time in the post-Soviet era. The U.S. Government continued its programs to support small and medium-sized businesses so that they could better take advantage of these more favorable economic conditions. A particular effort was made in Armenia, where assistance was provided to support economic restructuring and market reforms, to provide technical services and loans to small and medium-sized enterprises and to support the economic revitalization of areas devastated by the 1988 earthquake. The Coordinator of U.S. Assistance to the NIS also increased funding to the U.S.-Russia Investment Fund (TUSRIF) and the Western NIS Enterprise Fund (WNISEF). TUSRIF in particular found a number of investment opportunities, including the purchase of a Russian commercial bank, as Russia's economic expansion broadened and picked up speed.

The U.S. Government has continued to shape its economic reform assistance programs according to the level of commitment to reform in each NIS country. In those countries where there is no serious commitment to reform, such as Uzbekistan and Turkmenistan, the U.S. Government has pulled back, especially from government-to-government assistance programs. Where the commitment to reform is stronger, the U.S. Government has continued to remain engaged. For example, USAID and the U.S. Department of the Treasury have provided strategic economic advisors to Georgia, while USAID and the U.S. Commerce Department's

Commercial Law Development Program (CLDP) have helped countries such as Moldova and Kazakhstan improve their legal and regulatory environment as required for accession to the World Trade Organization (WTO). As of the end of the fiscal year, Moldova was on the verge of joining the WTO.

In FY 2000, the U.S. Government continued to focus its programs on the regional level through its Regional Initiative (RI) in Russia, Kazakhstan and Ukraine. At the end of FY 2000, Russia's Novgorod Region became the first region to graduate from the RI Program. The three-year RI experience in Novgorod was very successful, thanks in large part to enthusiastic support and cooperation from the *oblast* (regional) administration. An RI graduation conference held in Novgorod in October was attended by representatives of a large number of Russia's regions who were keenly interested in determining whether the programs that had been so successful in Novgorod could be applied in their home regions.

Among the functional areas in which the U.S. Government concentrated its assistance during FY 2000 were health care, the energy sector and land privatization. The U.S. Government's efforts in the field of health involved cooperation among several U.S. agencies. While USAID implemented the lion's share of these programs, the National Institutes of Health (NIH) also implemented substantial health programs in the NIS, and non-proliferation programs funded by the Departments of State, Defense and Energy all increased their emphasis on health, including efforts to fight infectious diseases and develop new vaccines. The U.S. Government provided significant support to efforts to privatize the energy sectors in countries such as Moldova, Georgia, Armenia and Kazakhstan, and played a key role in facilitating the closure of the Chornobyl Nuclear Power Plant at the end of the year. U.S. Government assistance helped Moldova complete the privatization of agricultural land and to begin creating the infrastructure necessary for private farmers to prosper. For the first time in several years, the Government of Ukraine demonstrated support for agricultural reform, and in response, the U.S. Government provided assistance, including a program that helped hundreds of thousands of Ukrainian farmers receive titles to their land.

In FY 2000, the NIS region's agricultural development was hindered by a serious drought that affected a number of the NIS countries. In response to the drought, U.S. Government-funded humanitarian assistance programs provided commodities to all of the countries in Central Asia and the Caucasus. This assistance not only helped avert human suffering, but it also helped support economic growth in countries where agriculture is a major component of the economy.

Security Programs

From FY 1992 through FY 2000, the U.S. Government has budgeted over \$4.8 billion for security programs with the NIS countries designed to reduce threats to the United States from former Soviet weapons of mass destruction (WMD), prevent weapons proliferation and promote regional stability. In FY 2000, security programs represented almost half of all U.S. Government assistance to the NIS—a reflection of the important contribution these programs make to advancing U.S. national security interests. Moreover, the progress made by U.S. Government-funded security programs with the NIS countries in FY 2000 demonstrated that these programs continue to be a sound, cost-effective investment in promoting U.S. national security.

In FY 2000, the U.S. Government increased its security-related assistance to the NIS under the Expanded Threat Reduction Initiative (ETRI), which was developed to address increased risks of weapons proliferation and regional instability resulting from the 1998-99 economic crisis in Russia, Ukraine and the other NIS. At the time, ruble devaluation and wage arrears were exacerbating problems for former Soviet weapons scientists, increasing the temptation to conduct illicit weapons trafficking, and creating obstacles to military reform and downsizing of the former Soviet military-industrial complex. Under ETRI over the past year, the U.S. Government increased funding for the security assistance programs of the Departments of Defense, State and Energy, providing approximately \$888 million to help Russia, Ukraine, and other NIS countries continue to implement key arms control agreements, reduce weapons to desired levels, and reduce proliferation threats. In addition, the U.S. Government has strongly encouraged other donor countries to increase resources for programs addressing these issues.

While the NIS economies showed signs of recovery in FY 2000, they remain far from stable, and economic improvements have not yet led to sufficient resources being directed to areas of proliferation and security concern. Meanwhile, the NIS countries—particularly Russia—retain the capability to threaten U.S. security through the proliferation of WMD, dual-use weapons, weapons materials, technology and expertise. As a result,

despite disagreements with the Government of Russia over the war in Chechnya and its cooperation with Iran, and despite concerns regarding human rights conditions and corruption in the NIS, the U.S. Government's security programs continue to enjoy strong bipartisan support, as evidenced by Congressional action to make available \$869 million in FY 2001 for Defense, State and Energy Department security programs.

The ETRI built upon the U.S. Defense Department's (DoD) ongoing Cooperative Threat Reduction (CTR or "Nunn-Lugar") Program. In FY 2000, DoD made significant progress in the NIS countries that were certified as eligible to receive CTR assistance: Russia, Ukraine, Kazakhstan, Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova and Uzbekistan. In Russia, CTR efforts continued to focus on facilitating strategic offensive arms reductions pursuant to the START Treaties, construction of a facility at Mayak (in the southern Ural Mountains) for the storage of fissile material derived from dismantled Russian weapons, and improving security of nuclear weapons during transportation and interim storage. DoD also moved forward with efforts to prevent proliferation of biological weapons (BW) expertise and enhance security at Russian biotechnical facilities. While Congress continued to prohibit the use of FY 2000 CTR funding for the construction of a chemical weapons (CW) destruction facility at Shchuchye, Russia, DoD was permitted to use prior-year CTR funds, which allowed facility design efforts to continue through FY 2000. In Ukraine, CTR assistance continued to complete the deactivation of SS-19 missiles and dismantlement of their silos, dismantlement of SS-24 systems and 93 START Treaty-accountable heavy bombers. In Kazakhstan, by the end of 2000, almost all projects to help eliminate the SS-18 launch and launch-control silos and close nuclear weapons test tunnels were completed. In addition, throughout the CTR-eligible NIS, over 250 CTR-funded defense and military contact activities took place in FY 2000, including military exercises, high-level exchanges and ship visits.

The largest funding increase in FY 2000 under the ETRI was for U.S. State Department programs to stem the proliferation of weapons expertise, strengthen NIS export control and related border security capabilities, and facilitate withdrawal of Russian forces from Moldova and Georgia. Funds allocated for State Department security programs increased from \$51 million in FY 1999 to \$163 million in FY 2000, even though overall NIS assistance funding declined. This required difficult tradeoffs between funding for ETRI programs and other types of assistance, which lengthened the funding allocation process and contributed to implementation delays.

The U.S. State Department increased funding for the Science Centers Program, which provides former Soviet weapons scientists with opportunities to work on peaceful civilian research projects through the International Science and Technology Center (ISTC) in Moscow and the Science and Technology Center in Ukraine (STCU). The Science Centers have funded over 1,300 projects since 1994 (including about 170 during FY 2000), creating opportunities for nearly 40,000 former Soviet weapons scientists to pursue peaceful research instead of weapons work—however, this is still only one half of the estimated number of weapons scientists and technicians of the old Soviet system. The State Department also increased funding for the U.S. Civilian Research and Development Foundation (CRDF) to expand its efforts in FY 2000, conducting a research grants competition, providing additional travel grants and offering commercialization opportunities for hundreds of former weapons scientists. Programs to prevent proliferation of BW expertise were also expanded, including the U.S. Department of Health and Human Services (HHS) Biotechnology Engagement Program and the U.S. Department of Agriculture (USDA) Collaborative Biotechnical Research Program. These programs initiated new projects designed to redirect former Soviet BW scientists to peaceful research, with a particular focus on high-priority public health needs (such as control of tuberculosis, hepatitis, HIV/AIDS and other infectious diseases) and agricultural research.

The U.S. Department of State also expanded the scope and geographic coverage of its efforts under the NIS Export Control and Related Border Security (EXBS) Program to enhance capabilities of NIS countries to prevent, deter and detect potential weapons proliferation. The Central Asian Border Security Initiative, announced by Secretary of State Albright in April 2000, highlighted the EXBS program and other U.S. Government assistance designed to help the Central Asian countries combat terrorism and illicit trafficking in WMD, conventional arms and narcotics. Under the Georgia Border Security and Law Enforcement Assistance Program, the U.S. Customs Service continued to provide equipment and training assistance to Georgia's Border Guards and Customs Department to help them establish and maintain control of the country's borders. In addition, the Department of State initiated military relocation programs to facilitate the withdrawal of Russian forces from Moldova and Georgia. The Department of State also continued to support the development of NIS Partnership for Peace (PFP) interoperability and civil-military relations through the Foreign Military Financing (FMF) and International Military Education and Training (IMET) Programs.

In FY 2000, the U.S. Energy Department's (DOE) cooperative security programs continued to make progress in securing weapons-usable nuclear materials and warheads, accelerating the transition of facilities and workers from nuclear defense work to civilian purposes, and promoting nuclear safety. Under DOE's Material Protection, Control and Accounting (MPC&A) Program, security improvements are under way for some 750 metric tons of highly enriched uranium (HEU) and plutonium; over 1,000 Russian technical experts have been trained to sustain these upgrades; and 850 kilograms of weapons-grade HEU has been converted to low-enriched uranium (LEU), thus reducing the proliferation threat of such material. DOE's cooperation with the Russian Navy, which requested assistance with security upgrades at 55 of its nuclear weapons and HEU fuel storage facilities, was expanded significantly in FY 2000. DOE also made progress in efforts to place spent-fuel assemblies from the BN-350 nuclear power plant in Aktau, Kazakhstan into safe and secure storage.

DOE also continued to pursue a wide range of activities under its Fissile Materials Disposition Program to address the disposition of weapons-grade plutonium that has been removed from nuclear weapons and designated as no longer required for defense purposes. In September 2000, the U.S. and Russian Governments signed an agreement for disposing of 68 metric tons of weapons-grade plutonium (34 metric tons in each country). Efforts are now under way to implement this agreement. Under the Initiatives for Proliferation Prevention (IPP) Program, DOE continued to provide non-weapons work for former Soviet weapons scientists, engineers and technicians. The IPP Program emphasized commercialization by approving only new projects with a clear commercial focus and an industrial partner. These efforts complement assistance provided under DOE's Nuclear Cities Initiative to develop alternative employment opportunities for former Soviet nuclear scientists in Russia's closed cities, thereby facilitating the downsizing of Russia's nuclear complex.

Humanitarian Assistance Programs

Since 1992, U.S. Government-funded humanitarian assistance to the NIS has focused on those countries with the greatest need for such assistance. Under Operation Provide Hope, the U.S. Department of State delivered approximately \$220 million in humanitarian assistance to the 12 NIS countries in FY 2000. Approximately one third of this assistance consisted of commodities furnished through the U.S. Defense Department's Excess Property Program, and the remainder was in the form of privately donated commodities—mostly high-value pharmaceuticals—provided through U.S. private voluntary organizations (PVOs). Throughout FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS worked closely with various U.S. Government agencies (primarily USAID, USDA and the Department of State), as well as with a number of international organizations, to respond to emergency and transitional humanitarian situations throughout the NIS.

In FY 2000, USDA provided direct government-to-government food assistance to Armenia, Georgia, Kyrgyzstan, Russia and Uzbekistan, and funded commodity assistance programs through private voluntary organizations (PVOs) and the United Nations World Food Program (WFP) to targeted populations in Armenia, Georgia, Tajikistan, Moldova, Azerbaijan, Russia, Kazakhstan, Uzbekistan and Turkmenistan. In the wake of a severe drought that affected the southern tier of the NIS during FY 2000, the Coordinator's Office worked closely with USAID, USDA, and U.S. embassies to implement programs designed to alleviate the short-term impact of the drought while simultaneously having a positive long-term developmental impact.

FINANCIAL SUMMARY

After peaking at \$2.5 billion in FY 1994, funding for U.S. Government assistance to the NIS under FREEDOM Support Act authorities reached its lowest level in FY 1997 (\$625 million), but subsequently increased. Year-by-year appropriation levels are as follows: \$850 million in FY 1995, \$641 million in FY 1996, \$625 million in FY 1997, \$770 million in FY 1998, \$847 million in FY 1999, and \$839 million in FY 2000. For FY 2001, the U.S. Congress has appropriated \$810 million for assistance to the Independent States of the former Soviet Union.

As of the end of FY 2000, cumulative appropriations for FREEDOM Support Act, Cooperative Threat Reduction and other major NIS assistance and cooperative programs totaled an estimated \$17.61 billion, of which approximately \$16.52 billion had been obligated and \$14.84 billion expended. In FY 2000, FREEDOM Support Act obligations and expenditures increased by \$848.65 million and \$891.41 million, respectively, while obligations and expenditures of other U.S. Government-funded programs increased by over \$1.15 billion and just under \$1.02 billion, respectively. (Please see Cumulative Funds Budgeted, Obligated and Expended charts in the Appendix of this report.)

STRUCTURE OF THE FY 2000 ANNUAL REPORT

Part II of this report contains U.S. Embassy-submitted assessments of U.S. Government assistance programs by country, each of which begins with a brief overview of the political and economic developments in each country in FY 2000. Part III contains agency-by-agency overviews of the major U.S. Government-funded NIS assistance programs, trade and investment programs, and cooperative activities. Part IV presents an evaluation of the performance of each of the NIS countries according to the criteria in Section 498A of the Foreign Assistance Act of 1961. Part V describes the use of the "notwithstanding" authority provided to enable U.S. Government assistance programs to move forward without delay. Part VI provides an evaluation of progress in resolving trade and investment disputes and negotiating bilateral investment treaties with the countries of the Southern Caucasus and Central Asia, as required by the Silk Road Strategy Act of 1999. The appendix of this report provides cumulative summary charts of assistance funds budgeted, obligated and expended as of the end of FY 2000, as well as a summary of U.S. Government commercial financing and insurance.

Like our previous annual reports, this report will be available through the State Department's homepage on the World Wide Web at the following address: www.state.gov/www/regions/nis/nis_assist_index.html. This report was compiled and edited by the Office of the Coordinator of U.S. Assistance to the NIS, with input from the U.S. embassies in the NIS and from Washington-based implementing agencies. Please direct any comments or questions to Ivars Kuskevics at (202) 647-0832 or by e-mail to the following address: i.kuskevics@state.gov

II. COUNTRY ASSESSMENTS

The following country assessments provide an overview of U.S. Government assistance programs and their effectiveness in each of the twelve New Independent States (NIS) in FY 2000. These assessments, which also contain brief overviews of political and economic developments in each of the twelve countries, are based on information provided by the U.S. Embassies in the NIS countries.

ARMENIA

Political Overview

Following the collapse of the Soviet Union and the emergence of the Republic of Armenia nine years ago, a significant out-migration from Armenia took place, due principally to reduced economic opportunity, the continuing effects of the devastating 1988 earthquake, and dislocations caused directly and indirectly by the war with Azerbaijan over the enclave of Nagorno-Karabakh, including a serious energy shortage that resulted in a lack of heat for large segments of the population. Estimates of Armenia's current population vary, but most observers agree that fewer than two million permanent residents live within the republic's borders, with a few hundred thousand migrating seasonally between Russia and Armenia in search of work. In an effort to resolve the conflict over Nagorno-Karabakh, the Armenian and Azerbaijani presidents, with support from the OSCE's Minsk Group, have been meeting on a periodic basis. Although a ceasefire remains in place, and periodic confidence-building measures (such as exchanges of prisoners of war) are undertaken, the conflict remains formally unresolved. Armenia has a defense agreement with Russia that allows Russia to station troops and military equipment to protect Armenia's borders with Turkey and Iran. Armenia's foreign policy seeks regional economic integration, membership in European institutions and international trade organizations such as the World Trade Organization (WTO), and cooperation with Euro-Atlantic institutions, including NATO. However, Armenia continues to face many challenges in fulfilling its commitment to a democratic, free market transformation. A significant political crisis followed the October 1999 assassinations of the prime minister, parliament speaker, and six other officials who had come to office only five months earlier in elections that were procedurally flawed but more fair and representative than prior elections. After two changes of government, the current cabinet, established in May 2000, appears durable and capable of marshaling a working majority in parliament, despite challenges to government policies by individuals both inside and outside the government. The press is free, though self-censored in areas deemed to touch upon "national security." Freedom of association, particularly for religious groups, is sometimes hindered by burdensome registration requirements. One of Armenia's most pressing human-rights needs continues to be the development of a fully independent judiciary capable of reliably protecting citizens from abuse by police and prosecutors.

Economic Overview

Following a dismal six months of post-assassination stagnation and inaction under the Aram Sargsian government, Andranik Margarian and his government have been able to work with the Armenian Parliament to pass key economic legislation and launch credible reform initiatives. During a marathon special session, the parliament approved such bills as a WTO-compliant customs code, a securities market law, and other long-awaited legislation. While the government's anti-corruption program is still taking shape, certain pieces are falling into place, and the first steps—including laws on the civil service, conflict of interest and financial disclosure—are anticipated in the coming months. Nevertheless, macroeconomic progress over the last twelve months was generally disappointing. While Armenia's GDP growth is expected to be positive for the seventh consecutive year, growth in 1999 slumped to 3.3 percent, and from January to July 2000 growth was only 3.9 percent—both well below Armenian Government targets. Furthermore, foreign and domestic investment has not increased to the levels needed to ensure long-term growth, corruption continues to undermine the efficiency and credibility of Armenian Government institutions, and privatization efforts have come to a near standstill, although there has been some progress since July. The disappointing performance of Armenia's economy over the last year can be attributed in part to factors beyond the control of the Armenian Government (e.g., the October 1999 assassinations and the resulting political instability, as well as the drought of summer 2000). While progress was made in several areas, the Government of Armenia has yet to make good on its recent commitments to get the overall economic reform process back on track, thereby improving the environment for private-sector economic activity. A rapid, transparent privatization of the electricity distribution companies, although not a panacea to Armenia's economic woes, would give a boost to investor confidence and allow the

release of World Bank and International Monetary Fund (IMF) monies that are expected to help lift the Armenian Government out of its fiscal crisis.

U.S.-Armenia Task Force for Economic Development

A significant accomplishment in FY 2000 was the establishment of the U.S.-Armenia Task Force (USAMTF) for Economic Development, which was formed by the U.S. and Armenian Governments to provide a framework for regular high-level contacts, promote further economic cooperation and progress on economic and market reforms, and maximize the effectiveness of U.S. Government-funded assistance programs in Armenia. The USAMTF was formally established on January 27, 2000, with the signing of a memorandum of cooperation between the two governments. The U.S. delegation to the USAMTF is chaired by the Coordinator of U.S. Assistance to the NIS, and the Armenian delegation is chaired by the Minister of Finance and Economy. The inaugural meeting of the USAMTF took place in Yerevan in May 2000, and a second meeting was held in Washington in September. Both meetings were well-attended by high-level officials from the U.S. and Armenian Governments. The U.S. delegations included senior representatives from the U.S. Department of the Treasury, the U.S. Trade and Development Agency (TDA), the National Security Council, the Office of the U.S. Trade Representative, the U.S. Department of Commerce, and USAID. The meetings resulted in a number of cooperative efforts in the areas of private-sector development, energy security, anti-corruption, trade and investment, intellectual property rights, WTO accession, legislative processes and identifying priority areas for U.S. Government assistance. The cooperative efforts in these areas are ongoing, and the USAMTF is proving to be an extremely beneficial forum for resolving issues and identifying areas where close cooperation is needed to move reforms forward in Armenia.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$124.18 million in assistance to Armenia, including \$102.46 million in FREEDOM Support Act assistance, \$14.63 million in other U.S. Government assistance, and \$7.09 million in privately donated and U.S. Defense Department excess humanitarian commodities. The main priorities of U.S. Government assistance were private-sector development, economic and energy-sector reform, democracy and good governance, assistance to the earthquake zone, social-sector reform, education and training, and agriculture. In close coordination with the Armenian Government, the U.S. Government has been decreasing the amount of humanitarian assistance it provides to Armenia, replacing it with an increased amount of development assistance and private-sector support programs. This shift in relative priorities is designed to help Armenia make an efficient transition to a free-market economy, in part by creating real jobs in new enterprises. In FY 2000, humanitarian assistance accounted for 19 percent of U.S. Government assistance to Armenia. Other assistance categories included the following:

- Private-sector development programs aimed at developing a legal, policy and institutional environment conducive to private-sector activity, providing technical services to micro-, small and medium-sized enterprises, especially in the area of agribusiness marketing, and providing loans to small and medium-sized businesses;
- Economic restructuring and comprehensive market reform, including privatization, tax/fiscal and customs systems, bank supervision and capital markets development;
- Earthquake zone assistance designed to support rehabilitation and economic revitalization in those areas of Armenia affected by the 1988 earthquake;
- U.S.-Armenian academic and professional exchange programs, U.S.-based training programs for Armenians, and educational reform and institution-building in Armenia;
- Energy-sector reform, including programs promoting a more economically sustainable and environmentally sound energy sector (also included in this category are the U.S. Energy Department's nuclear safety programs at the Metsamor Nuclear Power Plant);

- Social-sector programs, including medical partnerships, reproductive health programs and a new comprehensive social transition program that promotes the development of sustainable social insurance systems, primary health care reform, improved delivery of social and health-care services and information, and small-scale public works activities;
- Democracy and good-governance programs, particularly programs aimed at increasing citizen participation in decision-making processes and promoting an impartial, transparent and independent judicial system, as well as programs supporting civil society organizations, independent media, and improved local governance; and
- The U.S. Department of Agriculture's Marketing Assistance Project (MAP), which in FY 2000 placed a particular emphasis on promoting private-sector growth in agriculture and agribusiness.

Trade and Investment Programs

Overseas Private Investment Corporation (OPIC): OPIC has been active in Armenia, particularly in its financing of the Marriott/Hotel Armenia Project. OPIC has also provided financial support to the Caucasus Fund, a regional venture capital fund oriented towards infrastructure (such as telecommunications and transportation). In FY 2000, the Fund focused on attracting additional investors and had not yet financed any projects in Armenia; however, the Fund is currently considering investing in a U.S. company's project to provide much-needed Internet service in Armenia. OPIC is also providing political risk insurance to a U.S. travel agency in Armenia.

U.S. Trade and Development Agency (TDA): TDA recently agreed to finance a feasibility study for a sugar refinery in Armenia. The proposed project would be based in Armenia's earthquake zone, a depressed area of the country in need of both improved infrastructure and sustainable jobs. Along with the International Finance Corporation (IFC), TDA is co-sponsoring an Armenia investment conference to be held in New York in May 2001. TDA is currently reviewing project proposals for this conference, including projects related to infrastructure development. TDA has also received a proposal to fund a feasibility study to upgrade the Armenian Government's underground gas storage facility, a project deemed a priority by the Minister of Energy. In addition, TDA is funding a regional air traffic control project that includes Georgia, Azerbaijan and, more recently, Armenia.

Protection of Intellectual Property Rights (IPR): The U.S.-Armenian IPR Working Group created under the auspices of the U.S.-Armenia Task Force for Economic Development convened its first meeting in Armenia in October 2000, which included participants from the U.S. Copyright Office, the U.S. Patent and Trademark Office, and the Office of the U.S. Trade Representative (USTR). The IPR Working Group is seeking to establish a legal framework for IPR protection in Armenia and subsequently to begin focusing on IPR enforcement issues. In addition, four Armenian experts traveled to the United States for three weeks to study IPR protection under the State Department's International Visitor (IV) Program.

Economic Reform Programs

U.S. Department of the Treasury – Technical Advisors: In FY 2000, three U.S. Treasury Department advisors, working in close cooperation with USAID, continued to support an essential element of Armenia's economic reform program. A Treasury Department government securities management advisor to the Ministry of Finance and Economy contributed substantially to the introduction of coupon-bearing treasury notes, an important step in developing Armenia's government finance capital market. A Treasury Department budget development advisor worked on enhancing the program budgeting capabilities of the central and ministry budget staffs. A Treasury Department tax advisor, who was in Armenia for nine months, improved the tax administration capabilities of the Ministry of State Revenues by providing training and policy advice.

USAID Economic Restructuring and Private-Sector Development Programs: In FY 2000, USAID continued its broad program of support for economic restructuring in Armenia. Even though many Armenian Government officials continued to support economic reforms, progress over the last twelve months was less than anticipated, in part because of political instability and bureaucratic uncertainty following the October 1999 assassinations. In recognition of the need to balance its macro-level interventions with direct assistance to the private sector, USAID increased its support to micro-, small and medium-sized enterprises in an effort to ensure more

immediate and tangible benefits to the population. Key accomplishments of USAID's private-sector programs in FY 2000 are provided below:

- **Tax/Fiscal and Customs Reform Programs:** In order to help the Armenian Government increase its revenues, rationalize its resource allocations and reduce corruption, USAID has been providing assistance to improve Armenia's tax laws and administration, as well as to enhance the Armenian Government's fiscal management (including budgeting) practices, since 1998. As of the end of FY 2000, a new structure within two of Armenia's regional tax inspectorate offices now incorporates the functions of taxpayer services, data processing, audits and collections. This pilot program was accompanied by a reduction in the total number of regional offices from 45 to 18, plus a small number of satellite offices. Very successful results from the two pilot offices have enabled further roll-out of the system to all eight Yerevan regional offices. Plans now call for the new structure to be deployed in the remaining regional and satellite offices across the country. USAID helped the Ministry of State Revenues improve the educational program of its taxpayer education center, and helped develop a unified property tax that was implemented in nine pilot cities. USAID also helped develop a medium-term expenditure framework (MTEF), which the Armenian Government began using to outline its key economic and social priorities and to plan its expenditure programs that match these priorities. The Armenian Government produced its first MTEF document in December 1999. In addition, USAID and the Customs Administration completed a comprehensive diagnostic exercise that will form the basis of future USAID assistance in this area.
- **Accounting Reform Programs:** With USAID support, international accounting standards (IAS) were translated, adapted and accepted in Armenia over the last 12 months. USAID helped the Accounting Association establish an international and national training and certification program, which has already trained over 600 accountants. Additional training topics included auditing (80 participants), book-to-tax reconciliation (100 participants), and financial statements for employees of the Securities Commission (25 participants). With USAID's help, over 100 enterprise accountants were trained in cost accounting, five accounting firms were trained in cost conversions, and 27 enterprises underwent full cost conversions. Through FY 2000, USAID has assisted in training accounting firms and performing cost conversions for a total of 900 enterprises. All of Armenia's enterprises are scheduled to convert to IAS by the end of 2001.
- **Privatization Programs:** Since 1998, USAID privatization support to the Armenian Government has included a broad range of services, including policy and legal development, transactional support, help developing and implementing liquidations, and public education programs. However, after rapid progress in previous years, including several high-profile privatization actions, the pace of privatization in Armenia slowed considerably in 1999. In response to this slowdown, the U.S. Government and the World Bank coordinated their efforts to move the issue of privatization higher up on the Armenian Government's political agenda. USAID provided legal, policy and factual analyses of the obstacles to privatization in Armenia, which were key to the World Bank's inclusion of related issues in its loan conditionality. As a result, three privatization decrees were passed in December 1999 that are designed to: (1) remove a number of the more serious impediments to the privatization process and strengthen the Ministry of State Property Management; (2) require the preparation of 20 "strategic" enterprises for sale; and (3) improve the process of enterprise liquidation. As a result, the pace of enterprise preparation and sales has picked up substantially in recent months, although it remains to be seen if these processes will reach completion. Ongoing USAID assistance to the Ministry of Privatization will hinge on the Armenian Government's renewed commitment to divesting state holdings—perhaps most importantly, the passage of legislation allowing the land on which state-owned enterprises stand to be transferred to private ownership. Should there be sufficient political will on the part of Armenian decision-makers, USAID has helped establish a framework for future widespread privatization: to date, approximately 3,000 enterprises have been identified for privatization, including nearly 700 medium-sized and large enterprises, and a series of companies have been slated for liquidation or tendering to foreign and local investors.
- **Land Titling and Registration Programs:** As part of its effort to promote the development of an active real estate industry in Armenia, USAID has worked over the past two years to streamline and implement a nationwide title registration system, promote legislation affecting brokers and appraisers, help shape changes to laws affecting real estate and rights to real estate, assist new and existing private sector real estate entities, and conduct an extensive public information campaign to inform and protect the rights of Armenian citizens through a variety of media. USAID-supported accomplishments in FY 2000 included the enactment of a law on registration of property; the completion of a fully integrated, streamlined electronic

title registration system; the designing of an electronic archiving system for paper title records and the providing of equipment to the State Cadastre Committee; parcel surveys for title registration of over 62,000 units; and the distribution of over 30,000 certificates of title.

- **Capital Market Development Programs:** USAID has been helping the Armenian Government create and develop a legal and regulatory infrastructure that supports and promotes a fair, orderly, efficient and transparent securities market, including an independent regulatory entity; a mechanism for securities trading; a centralized clearance, settlement and depository system; an independent, centralized share registry system; and trade associations and self-regulatory organizations of professional securities market participants, including brokers and dealers. The major accomplishment in this area in FY 2000 was the development and adoption of a new law on securities market regulation and a supporting regulatory framework. These steps provided for the creation of an independent securities-market regulatory entity, a capital-markets monitoring unit, and a new broker-dealer qualification testing system, including a database of over 800 test questions. In total, these measures will substantially raise the level of professionalism among brokers, dealers and financial advisors, and should stimulate the emergence of a modern capital market in Armenia, once the necessary economic conditions are favorable.
- **Other USAID Private-Sector Programs:** USAID grantees continued to provide direct assistance to individual enterprises in Armenia in FY 2000. The Eurasia Foundation and Shorebank provided approximately \$2 million in credit to small and medium-sized enterprises (SMEs) and the Foundation for International Community Assistance (FINCA) extended loans to over 1,300 micro-entrepreneurs. Eurasia and Shorebank also provided technical assistance to their Armenian partner banks, including training for 62 loan officers. Volunteers in Overseas Cooperative Assistance (VOCA) and the International Executive Service Corps (IESC) continued to provide technical assistance to enterprises and associations, completing over 60 projects in FY 2000. In recognition of the important role that agriculture plays in Armenia's economy and the growing needs of populations in rural areas and secondary cities, USAID initiated a new agribusiness SME market development program in September 2000. This program will stimulate job and income opportunities by identifying key agribusiness growth areas, addressing constraints to increased private-sector investment in agribusiness SMEs, and providing related support directly to Armenian agribusinesses.

U.S. Department of Agriculture (USDA) – Agricultural Marketing Assistance Project (MAP): Despite Armenia's late summer drought, USDA's MAP program expanded its work with farmers and agribusinesses in FY 2000 through the following activities:

- The Armenian Agricultural Academy's Foundation for Applied Research and Agribusiness (FARA) conducted farm-based trials for several sweet corn, potato, dual-purpose tomato, and cucumber varieties. FARA hired agricultural academy professors to provide technical assistance and supervision for the trials. The sweet corn and cucumber trials were very successful and will be followed with additional marketing programs in 2001. In addition, MAP technical assistance helped develop and test-market three new products: fruit-based baby food, canned sweet corn and pickles. MAP consultants supervised processing for quality assurance, and MAP provided financial assistance for the purchase of suitable jars from Bulgaria.
- Meanwhile, MAP also continued efforts to improve quality and sanitation in Armenia's dairy sector, providing technical and financial assistance to four new dairy processing businesses, the largest being a joint Dutch-American cheese production facility near Tashir. MAP placed six new milk cooling tanks in villages to improve the quality of milk being sold to cheese and ice cream operations, resulting in the availability of new, higher-quality products in small-scale units, including eight new varieties of cheeses. Production of these cheeses exceeded 24 tons this past year, up 50 percent from last year. On average, these cheese production units purchased about 840,000 liters of milk per year, paying roughly \$122,000 cash to about 1,200 farmers.
- MAP provided over \$1.8 million in agricultural credit to farmers and agribusinesses in FY 2000. MAP extended direct credit to farmers in the form of supervised production credit clubs. There are now 24 clubs in Armenia with a total of 374 members organized around targeted agricultural activities like milk cooling tanks, grape or wheat production, and women's business expansion. The clubs operate on a group credit basis with cooperative principles. Despite the drought, these clubs were very successful in FY 2000 and will be gradually expanded in FY 2001. MAP extended larger loans to agribusinesses to finance vegetable

processing (tomato, corn, pickles), grape processing, cheese production (traditional and European varieties), baby food, and fruit juice production. Over 7,000 farmers benefited indirectly from these loans, as their sales to processors were financed with MAP credit. In addition, farmers and agribusinesses received indirect credit through Agroleasing, Limited, a leasing company created to help make available equipment under long-term lease-purchase agreements at nine-percent interest. Currently over \$450,000 worth of equipment is out on lease.

- In FY 2000, MAP also began targeted assistance to Armenian producers for the export of fruit, cheeses, and wines to foreign markets. Armenian marketing teams were sent to major destination markets like Dubai, Beirut, Syria and Moscow to collect information, present samples to brokers, and arrange pilot marketing efforts. As a result of these missions, MAP is sharing in the marketing costs for apples to Dubai, tomato paste to Beirut, and cheese and wine to Moscow. All these export activities include technical assistance and shared risk by producers.
- During FY 2000, USDA signed three memoranda of agreement with Armenia's Ministry of Agriculture, each of which is designed to evolve into a regional activity for the Caucasus: one on the genetic exchange of biological materials, one on small-farm water management, and one on dairy goat breeding. The genetic exchange was implemented with the collection of traditional and wild grape varieties in October and November, prior to the visit of an USDA plant science team in December. The small-farm water management agreement is being implemented this winter with the help of visits by U.S. irrigation experts, who will help design a strategy for the development and rehabilitation of village wells, farm-based trials of gated irrigation pipe and drip irrigation, and other water efficiency improvements. MAP made significant progress in FY 2000 towards the establishment of a regional dairy goat breeding center in the Vyots Dzor region. With the proven market feasibility of goat cheese, the activity's objective is to improve dairy goat milk production by selective crossbreeding with imported goat breeds. The center was stocked with four breeds of goats imported from the United States. Successful semen collection and on-farm breeding in September-October resulted in 800 female goats being artificially inseminated in 11 villages in the Vyots Dzor and Kotayk regions. The center will expand in FY 2001 with new facilities, including a laboratory, model cheese production unit, barns and equipment. Educational programs and genetic sharing are planned with producers from other countries in the region. Eventually, ownership and control of the center will pass to the dairy goat marketing associations that are to be formed in 2001.

USAID Energy-Sector Reform Programs: In FY 2000, USAID's efforts to lay the groundwork for energy-sector restructuring in Armenia were generally successful. USAID provided technical assistance and equipment to facilitate the preparation of power distribution and generation companies for privatization, the establishment of an independent regulatory commission, analysis of alternate sources of energy and preliminary efforts to improve energy efficiency. However, the privatization process itself was fraught with delays and political controversy. The target completion date is now March 2001. The future success of Armenia's energy sector hinges on the Armenian Government's ability to privatize distribution companies in a fair, transparent and timely manner in the face of significant political opposition. In FY 2000, USAID, in collaboration with other donors—most notably the World Bank and the European Bank for Reconstruction and Development (EBRD)—provided support to the privatization process and a variety of other energy-sector initiatives, with the following major accomplishments:

- Completion of the tendering process for privatizing the distribution companies and establishment of a "short list" of international bidders through a fair and transparent process;
- The enhanced ability of the Armenian Energy Regulatory Commission (AERC) to play an appropriate tariff-setting role;
- The development of the legislative framework required to ensure the sustainability and privatization of Armenia's energy sector;
- Completion of a \$15 million metering program to improve the commercial operations of the power sector through the provision of technical assistance, training and equipment for the transmission and distribution networks nationwide;
- Utilization of international accounting standards (IAS) by all of Armenia's energy-sector entities;

- Establishment of a least-cost generation plan/model that can be applied to future decision-making related to the closure of the Metsamor Nuclear Power Plant and the start-up of new energy-generation facilities;
- Completion of a pilot school boiler-renovation project, which in addition to improving conditions in four schools, will provide data for potential future interventions to promote energy efficiency; and
- Several training events, exchange visits, internships, study tours and seminars for Armenian energy enterprises, with the goal of encouraging private participation in the energy sector by conveying the U.S. experience of private ownership and management/operation of energy-sector assets.

USAID Support for Regional Energy-Sector Cooperation: Through an initiative jointly carried out by the USAID Mission in Armenia and the USAID Caucasus Regional Mission in Tbilisi, dialogue among Armenian, Azerbaijani and Georgian energy-sector representatives was reestablished, including the consideration of cross-border energy security and energy efficiency measures and the implications of water management on regional energy markets. Also with USAID support, the Armenian Energy Regulatory Commission (AERC) participated in several regional meetings, study tours and the Third International Energy Regulatory Conference for Europe and Eurasia, at which Armenia was one of 14 participating countries, which jointly signed a document entitled "The Founding Principles of Voluntary Regional Energy Regulatory Associations for Central/Eastern Europe and Eurasia."

Democracy Programs

U.S. Department of State – School Internet Connectivity Project: In FY 2000, the U.S. Embassy's Public Affairs Section significantly expanded its School Internet Connectivity Project. During the pilot phase completed in FY 2000, Internet centers were opened at 12 Armenian schools. Each of these twelve Internet centers received three to six networked computers (depending on the number of students in the school), one color printer, one scanner, and a small English-language library. In addition, the project covered the cost of renovating the rooms in which these centers are housed, as well as the cost of Internet connectivity for one year. Based on the success of the pilot program, the Public Affairs Section opened Internet centers in another 10 schools, bringing the total number of centers to 22. This forward-looking project has provided Internet access to over 20,000 Armenian students, teachers and community members.

USAID Democracy and Good-Governance Programs: Despite progress in several areas such as support for independent media and legal associations, Armenia's democratic development during the last 12 months was limited in large part by the October 1999 assassinations and the subsequent instability within the Armenian Government. While the government did continue to adhere to the rule of law and democratic/constitutional principles during this difficult period, the political environment continued to be defined by public perceptions of corruption, citizens' disengagement from decision-making processes and ongoing political uncertainty. USAID's democracy and good-governance programs achieved the following results in FY 2000:

- **Baku-Yerevan Weekly "Spacebridge" Television Program:** In FY 2000, USAID grantee Internews began this activity aimed at developing mutual understanding and tolerance between the citizens of Armenia and Azerbaijan. Twenty-four interactive video conferences between influential individuals in Azerbaijan and Armenia are being developed. Up to 12 discussants will participate in each of the episodes, which are to be filmed in both countries, edited, packaged and distributed for airing in both countries. Armenian and Azerbaijani participants have already agreed to potential topics, including refugees, peace negotiations, children and war, the environment, transport and communication, and trade and war.
- **Conflict Resolution Training for Youth Leaders:** The USAID Mission in Armenia financed the participation of an Armenian student in a year-long (June 2000-June 2001) program for youth leaders in cross-cultural conflict resolution. This program, which included a participant from Azerbaijan (funded by another donor), is run by the School for International Training in Brattleboro, Vermont and features a variety of nationwide and local events.
- **Programs to Promote Free and Fair Elections:** USAID continued work with the Central Election Commission (CEC) to improve the administration of elections, with a particular focus on finding solutions to the inaccuracies of the country's voter lists, which according to international and domestic observers

constituted one of the most notable problems during Armenia's May 1999 parliamentary elections. Since there are no scheduled national elections in the coming year and USAID has been unable to reach an agreement with the CEC on appropriate interim measures, USAID will significantly reduce its level of support for election administration in FY 2001.

- **NGO Development Programs:** In FY 2000, Armenia's non-governmental organizations (NGOs) somewhat improved their ability to engage citizens and work with the government, but the financial viability of the NGO sector remained weak. USAID initiated a new NGO strengthening program that focuses on supporting the advocacy efforts of advanced NGOs throughout Armenia and on developing the capacities of nascent NGOs in regions outside of Yerevan.
- **Regional Women's NGO Leadership Program:** The USAID Mission in Armenia and the USAID Caucasus Regional Mission in Tbilisi supported an innovative program for women NGO leaders from Armenia, Azerbaijan and Georgia. Armenia hosted 16 women leaders from Azerbaijan and sent a delegation of 16 Armenians to Azerbaijan. As a result of this program there has been a significant increase in joint projects between the Armenian and Azerbaijani women. For example, during the program workshops in June 2000, the women agreed to work together on the repatriation of prisoners of war held by both countries, and they subsequently helped organize several prisoner exchanges.
- **Support for Independent Media:** Independent television stations that received USAID-funded technical assistance continued to improve the quality of their news programming, although they continued to face problems related to financial viability. In FY 2000, USAID also introduced a print media program. For both print and broadcast media, USAID provided technical assistance to strengthen the quality of news programming, including strengthening investigative journalism skills, as well as provided training on financial management to strengthen the long-term viability of the media. In addition, USAID provided equipment to independent media to increase their access to information and to improve the quality of their news production.
- **Local Government Programs:** In FY 2000, USAID initiated a comprehensive local government program that will support legislative reforms encouraging greater decentralization and rationally defined authorities and responsibilities of local government; increase citizen involvement in local government decision-making, enhance local government accountability and transparency, and improve the capacity of local governments to plan for, finance and deliver municipal services. In its initial phases, the program is focusing on nine pilot cities: Gyumri, Jermuk, Vanadzor, Alaverdi, Sevan, Ijevan, Yeghegnadzor, Sissian and Kapan.
- **Rule of Law Programs:** In FY 2000, USAID continued to support a number of activities aimed at improving Armenia's legal system. USAID continued to provide support for various pieces of legislation, most notably an administrative procedural code that would clarify various governmental processes and simplify citizens' access to government agencies. Although the Armenian Government has been slow to move this legislation forward, a memorandum of understanding signed by the Ministry of Justice formally committed the Armenian Government to specific milestones for the development of this law. USAID's efforts at increasing the ethical and professional standards of the legal professions have also begun to show results. Both the Association of Judges of the Republic of Armenia (AJRA) and the Bar Association of the Republic of Armenia (BARA) have adopted voluntary ethics codes for their members. USAID is also working with the Union of Advocates and other lawyers' associations to develop ethical standards, promote continuing education, provide services to members, and encourage legal aid services for vulnerable populations. To complement this structural/institutional work, USAID continues to provide training to judges to raise their professional confidence and competence.

U.S. Department of State – Law Enforcement Training: In FY 2000, the Bureau of International Narcotics and Law Enforcement Affairs (INL) supported the creation of the Armenian Rule of Law Information Network (ROLIN), which will allow for better internal and foreign dissemination of information about criminal activity in Armenia. Under ROLIN, the U.S. Government will also provide training on how to detect international document fraud, white collar/financial crimes, and international money laundering.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought almost 2,300 Armenian citizens to the United States for short-term professional or long-term academic training, including some 530 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2000, approximately 290 Armenians traveled to the United States under academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). These programs are designed to expose Armenia's next generation of leaders to Western concepts of democracy and market economics. In FY 2000, over 100 young Armenians traveled to the United States under the ECA Bureau's academic exchange programs. Of this total, 42 were enrolled in U.S. master's degree programs under the Edmund Muskie/FREEDOM Support Act Fellowship Program, 50 were secondary school students participating in the Future Leaders Exchange (FLEX) Program, and 22 were participants in the Undergraduate Exchange Program. In addition, four Armenian scholars were awarded grants under the ECA Bureau's Research Scholars Exchange Program (RSEP), another seven participated in the Contemporary Issues Program, three received training under the Junior Faculty Development Program and four scholars received Fulbright scholarships. Forty-three Armenians participated in professional exchanges under the International Visitor (IV) Program, receiving U.S.-based training in such areas as the role of official spokespersons, eco-tourism and cultural tourism, protocol for official visits, the U.S. customs system, the role of Congress and state legislatures, domestic security, thematic reporting/journalism, regional transportation infrastructure development, the protection of intellectual property rights, grassroots democracy and local government, transparency in government and business, accreditation of higher education, and role of the media in the U.S. election process. In addition, under the Community Connections Program, 60 Armenians traveled to the United States for community-based internships in the fields of tourism, environmental issues and business.

USAID Training Programs: In FY 2000, USAID provided training to over 3,300 Armenian participants. Some 3,200 participants participated in training programs under USAID's Global Training for Development (GTD) Project: over 2,900 of them in in-country programs, 132 in U.S.-based programs and 162 in third-country programs. GTD in-country training programs focused on areas such as small-business development, energy-sector management, accounting standards, economic journalism and social policy reform. GTD U.S.-based programs focused on tax administration modernization, revenue forecasting, measuring compensation, analysis of labor statistics, information technology, customer service for electric companies, wind energy, the role of advocates in an independent judicial system, civic education in secondary schools, urban revitalization, investigative journalism, gender equality, pension systems and health care reform. GTD third-country training programs focused on the liquidation of state-owned enterprises, taxpayer education, retail investment, property assessments, global climate change, information technologies in elections, mother-child health, social policy reform and health care reform.

U.S. Department of Agriculture (USDA) – Agriculture Marketing Assistance Project (MAP): In September 2000, the U.S. Ambassador to Armenia and the rector of the Armenian Agricultural Academy (AAA) presided over the formal opening of the Agribusiness Education Center, a joint effort between the AAA and MAP. The Center will train middle managers in Armenia's growing agribusiness sector on how to conduct business in an international setting. Thirty students were selected for the first year of this two-year program, and 30 more students will enroll in the program next year. Instruction is conducted in English by U.S. and Armenian professors, with an adapted curriculum incorporating new marketing, finance, and management subject matter with the academy's other required courses. Participants will complete supervised internships during the summer, and will ultimately receive a diploma from the academy and a completion certificate from Texas A&M University. Just over \$120,000 was spent to renovate classroom, office, and computer laboratory space to create a modern teaching environment for the undergraduate program in agribusiness. In addition, MAP provided funding for five Armenian graduate students to attend graduate programs in U.S. universities. The five students have all agreed to return to AAA to provide five years of faculty service. MAP will send two more Armenian graduate students to the United States in FY 2001.

U.S. Department of Agriculture – Cochran Fellowship Program: In FY 2000, the Cochran Program provided short-term training to eight Armenian agriculturalists. (Please see U.S. Department of Agriculture – Cochran Fellowship Program section in Part III of this report.)

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2000, the SABIT Program provided short-term training to six Armenian entrepreneurs. (Please see U.S. Department of Commerce – SABIT Program section in Part III of this report.)

Security Programs

In FY 2000, the U.S. Government continued to expand its security assistance activities with Armenia. The U.S. Department of Defense (DoD) worked with the U.S. Department of State to begin to significantly increase U.S. military-to-military contacts with the Armenian Ministry of Defense, while complying with the U.S. policy of evenhandedness regarding military interaction with Armenia and Azerbaijan. U.S. European Command (EUCOM) traveling contact teams visited Yerevan to provide instruction on topics such as civilian control of the military, and Armenian military officials participated in training courses at DoD's Marshall Center in Germany.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: The Armenian Government has consistently demonstrated a willingness to cooperate with the United States in preventing the proliferation of weapons of mass destruction (WMD) and fighting transnational crime. The State Department allocated \$2.0 million in FY 2000 funding under the EXBS Program to enhance Armenia's ability to interdict illicit trafficking in WMD and related materials across its borders. The U.S. Government also continued to help Armenia develop comprehensive export-control legislation and regulations. In addition, U.S. Government agencies provided periodic training courses to help Armenian Customs officials and border guards control the country's borders. In FY 2000, the U.S. Department of State repaired an x-ray van that had been donated to the Armenian Government by the U.S. Government in 1999. The x-ray van is now in regular use at various border points. (See also U.S. Department of State – EXBS Program section in Part III of this report.)

U.S. Department of Defense (DoD)/U.S. Customs Service Counter-Proliferation Program: In July 2000, the U.S. and Armenian Governments signed an agreement on cooperation in the area of WMD counter-proliferation, which is pending ratification by the Armenian Parliament. As soon as the parliament ratifies the agreement, Armenian customs officers and border guards will be able to receive equipment and training under the U.S. Defense Department/U.S. Customs Service Counter-Proliferation Program.

Other Nonproliferation Programs: Armenia is an active member of the State Department-supported International Science and Technology Center (ISTC) in Moscow, which provides former Soviet weapons scientists with opportunities to work on peaceful civilian research projects to reduce temptation to sell their expertise to countries of proliferation concern. In FY 2000, the U.S. Government also continued cooperation and promoted the participation of Armenian former weapons scientists in peaceful research projects supported by the U.S. Civilian Research and Development Foundation (CRDF). (See CRDF section in Part III of this report.)

Social-Sector Programs

USAID Census Support: USAID is providing technical assistance to help the Armenian Government conduct a census in 2001—the first Armenian census since the country's independence. In addition, USAID is sponsoring short-term training at the Bureau of Labor Statistics for Armenian statisticians.

USAID Social-Sector Reform Programs: In late FY 2000, USAID initiated a new social-sector transition program to help Armenia establish a framework for sustainable social insurance systems (e.g., health, pension, disability and unemployment), support improvements in the effectiveness and efficiency in the delivery of social assistance and primary health care, and provide urgent social and health care services and information to the most vulnerable. As a complement to this effort, USAID began a small-scale public works program to provide income to the vulnerable while improving community infrastructure.

USAID Reproductive Health Programs: In FY 2000, USAID supported a nationwide information, education and communication campaign on family health and family planning through Armenia's national media and more intensive community mobilization activities in the Vayots Dzor and Lori regions. The program also strengthened the customer service and health communication skills of gynecologists and pharmacists. By the end of FY 2000, the campaign had resulted in an increase of attendance at family planning consultation centers by more than 150 percent, exceeding by far the program's 20-percent target. To complement this effort, USAID

launched a larger-scale reproductive health program to increase local institutional capacity and to test different models for delivering reproductive health information and services at three pilot sites.

Housing Strategy for the Earthquake Zone: Responding to a request from the Armenian Government, USAID funded a pilot program to test the use of housing certificates to meet the continuing shelter needs of households affected by the 1988 earthquake. To date, 224 families in Gyumri have been provided certificates that allow them to purchase permanent housing from the real estate market. Once permanent housing is found, municipal officials remove the temporary shelters, thereby clearing urban areas for more economically and socially productive uses. To date, more than 100 temporary shelters have been cleared. Based on the success of the pilot program, USAID will launch a comprehensive program to address housing and related needs in the earthquake zone region in FY 2001.

Humanitarian Programs

Only 19 percent of Armenia's FY 2000 FREEDOM Support Act assistance budget was allocated to humanitarian assistance—a reduction from 22 percent in FY 1999. This decrease reflects the U.S. Government's goal of reducing humanitarian assistance in favor of development assistance and private-sector job creation—a goal shared by the Armenian Government—and an increased emphasis on social-sector reform as an essential part of the U.S. assistance program in Armenia. Over the past two years, the Government of Armenia has demonstrated an improved ability and desire to identify and target assistance towards vulnerable groups; however, the government is currently facing severe budget constraints that limit its ability to shoulder more of the responsibility for maintaining and strengthening the social safety net for the most vulnerable segments of the population.

U.S. Department of Agriculture (USDA) – Food Assistance: In FY 2000, USDA provided 60,000 metric tons of U.S. wheat to Armenia under its Section 416(b) Program. This government-to-government grant program valued at approximately \$10 million was agreed to by the U.S. Government as a one-time exception to the previous government-to-government P.L. 480 programs that USDA has been implementing in Armenia since FY 1996. This wheat, which arrived in Armenia during the last quarter of 2000, will be sold at public auction at a market price, and the Government of Armenia will use all of the proceeds for budget support. In FY 2000, USDA reduced the amount food commodities being provided to Armenia under its Food for Progress Program. Only one U.S. private voluntary organization (PVO), the Armenian Technology Group (ATG), was approved to participate in a project to monetize 7,500 metric tons of wheat, a program valued at approximately \$1.9 million, and apply the proceeds towards the continuation of its seed multiplication project. In FY 2001, the U.S. Government will revisit the issue of providing humanitarian commodities for free distribution programs.

Drought Relief Programs: As FY 2000 drew to a close, a large portion of Armenia was experiencing the effects of a severe drought that decimated crops and affected livestock production. In response, the U.S. Government allocated \$3.17 million for drought relief programs. The U.S. Embassy responded to the Armenian Government's assistance requests, participating fully in the drought relief efforts undertaken by the international community, and implementing bilateral assistance programs to help Armenian farmers overcome the severe effects of this drought. Specific programs included the following:

- **Winter Wheat Seed Redistribution:** The U.S. Government allocated \$600,000 for the emergency purchase, cleaning, treating, bagging and distribution of 1,741 metric tons of locally produced winter wheat seed. This U.S. Embassy-coordinated program distributed seed at a reduced price (25 percent of cost) to 10,000 of the most seriously affected subsistence farmers in time for the fall planting season. The program combined the talents and resources of USDA's Marketing Assistance Project and two U.S. PVOs: the Armenian Technology Group (ATG) and the United Methodist Committee on Relief (UMCOR).
- **Support for Well-Drilling:** In response to a special request from the U.S. Ambassador, the U.S. European Command (EUCOM) allocated \$165,000 from its FY 2000 Humanitarian Assistance Fund for the construction of seven village wells for irrigation and domestic water supply. This funding, which was provided to alleviate some of the impact of the drought in the higher elevations of Armenia, was passed to USDA's Marketing Assistance Project (MAP), which is coordinating this effort and is working with the Foundation for Applied Research and Agribusiness.

- **United Nations World Food Program (WFP) Emergency Feeding Program:** The U.S. Government pledged \$2.4 million in response to a general appeal for support from the WFP for an emergency feeding program for Armenia's neediest subsistence farmers suffering from the effects of the drought. This pledge, which amounted to 20 percent of the overall cost of the program, allowed WFP to get an early start on purchasing commodities so that the feeding program can begin on time.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS transported an estimated \$7.09 million in privately donated humanitarian commodities—primarily medicines, medical supplies and food—to Armenia at a cost of \$1.22 million to the U.S. Government. These commodities were distributed through U.S. private voluntary organizations including the United Methodist Committee on Relief (UMCOR), CitiHope International, the United Armenian Fund, and the Women's Health Care Association.

Partnership Programs

USAID Health Care Partnerships: In FY 2000, USAID continued to support several health care partnerships between U.S. and Armenian organizations, including one between the University of California-Los Angeles (UCLA) Medical Center and the Lori Regional Healthcare Administration, one between CARE New England/Lifespan Health Systems and the Gegarkunik Regional Healthcare Management Department, one between the University of Texas Medical Branch at Galveston with the Armavir Regional Healthcare Administration, and one between the University of Alabama/Creighton University and the School of Health Care Management (National Institute of Health). In the past year, partnership activities were focused on the screening and treatment of hypertension, patient education, training in cardiovascular disease/stroke, breast cancer, diabetes, and disaster preparedness, as well as the development of educational resource centers. In addition, a new partnership was established between the Armenian-American Mammography University Center in Yerevan and the Armenian-American Cultural Association in Washington, DC. Activities under this new partnership will include outreach to the regions and the development of a modern pathology laboratory.

U.S. Department of State – University Partnerships: The Public Affairs Section of the U.S. Embassy is currently sponsoring four university partnerships in Armenia: one between the Yerevan State Institute of National Economics and Florida State University, one between the Journalism Department of Yerevan State University and Middlesex Community College in cooperation with Northeastern University and the Cambridge-Yerevan Sister City Association, one between the Economics/Business Department of Yerevan State University and the University of California-Fresno, and one between the American University of Armenia and Miami University of Ohio in the field of public finance. These partnership programs continue to support exchanges of faculty and administrators for a combination of teaching, lecturing, faculty and curriculum development, collaborative research, and outreach programs.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2000, with support from USAID, the Eurasia Foundation's field office in Yerevan awarded 47 grants totaling over \$960,000 to Armenian NGOs working to support civil society-building, private enterprise development and public administration and policy. To help overcome the political and economic obstacles to regional integration, the Eurasia Foundation's South Caucasus office has created the Southern Caucasus Cooperation Project (SCCP), which is designed to facilitate greater contact and cooperation among leading NGOs in Armenia, Azerbaijan, and Georgia. In FY 2000, the SCCP supported cross-border projects in areas such as business development, legal reform, civil society building, and public administration, awarding 57 grants totaling over \$27,700. Of this total, over \$9,000 was provided to Armenia-based NGOs working in the region. The Foundation organized six regional seminars in the areas of tourism, professional associations, business associations, seismic protection, and long-term voter education. These seminars, attended by Armenian, Georgian and Azerbaijani citizens, were designed to develop interest in areas that have the potential for improving regional integration and cooperation. As the result of these seminars, 25 cooperative regional projects are either currently being funded or are being considered for funding by the Eurasia Foundation in FY 2001.

Peace Corps: Over the past eight years, the Peace Corps has placed more than 260 volunteers (PCVs) in Armenia. PCVs are placed as community workers with core assignments in three areas: teaching English as a foreign language, business education and community development, and community health education. In FY 2000, more than 60 PCVs were serving in 28 sites and nine regions of Armenia. The Community Health Education Project is a new project that began in August 2000. The Peace Corps has worked with several U.S. NGOs operating in Armenia, including the United Methodist Committee on Relief (UMCOR), Save the Children, World Learning, Catholic Relief Services, Latter Day Saints, the Adventist Development and Relief Agency (ADRA), the Academy for Educational Development (AED), the International Executive Service Corps (IESC), the Foundation for International Community Assistance (FINCA), the Armenian English Language Teachers' Association, the Eurasia Foundation, the Soros-funded Open Society Institute, and many others. In addition to its three core programs, the Peace Corps established four new program initiatives in April 2000. The **Village Outreach Program** placed PCVs in seven village schools and conducted outreach activities in business and health. The **Information Technology Program** integrated information technology training and applications in all Peace Corps projects and helped Armenian NGOs develop websites. The **Gender and Development Program** promoted better understanding of gender issues in the development process. PCVs conducted girls' leadership summer camps and career resource workshops to help girls build self-esteem, confidence and understanding of their career choices and opportunities. The **Community Development Program** helped communities cooperate to improve their quality of life. PCVs in all of the above projects helped local communities establish language and resource centers, and upgrade school facilities; organized community events to foster cooperation; facilitated book and resource donations from churches and various donors; and worked with orphanages and disabled people. In collaboration with Sustainable Armenia, UMCOR, the U.S. Embassy and Catholic Relief Services, PCVs organized a "Hike for Environmental Awareness," which included seven segments stretching 240 kilometers across northern Armenia. At each stop, PCVs and local environmentalists conducted presentations on water and air quality, and the environmental effects of deforestation. Several PCVs who have completed their service have remained in Armenia and are providing expertise and cultural understanding in their work with development organizations, including the World Bank, IESC, USDA, World Vision and the International Research and Exchanges Board (IREX).

- **Business Education and Community Development:** PCVs involved in this project are teaching accounting, business management, marketing and economics in technical institutes and universities. They are working with entrepreneurs and local NGOs and development organizations to strengthen their management skills and help them implement their programs. PCVs involved in this project are working with the Urban Institute to implement a USAID-funded housing certificate pilot program; with the Academy for Educational Development on business and agricultural marketing seminars; and with the U.S. Embassy's Public Affairs Section's School Internet Connectivity Project on identifying candidate schools for Internet connections. The PCVs have also helped establish a youth credit union that is supporting the formation of small enterprises; made presentations on human rights; and established a "futures committee" to create public-private partnerships and greater transparency in local government.
- **Teaching English as a Foreign Language (TEFL):** PCVs involved in this project teach English and conduct teacher training in primary and secondary schools and universities. PCVs have introduced critical thinking in classroom work, and conducted in-service training, co-teaching and co-planning. In collaboration with the Armenian English Language Teachers' Association, PCVs and Armenian teachers organized a nationwide "Traveling Teachers' Workshop."

Community Health Education: PCVs involved in this project work with polyclinics, medical colleges, mental health centers and child/maternal health clinics. They also work with local NGOs, development organizations and Armenia's Ministry of Health. Volunteers are working with Flora (an Armenian NGO that focuses on environmental health issues); with Save the Children Foundation to conduct a baseline reproductive health survey; and with the Ministry of Health HIV/AIDS Education Center to conduct workshops in the regions, with the goal of reaching out to refugees.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2000, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA: promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2001 Programs

In FY 2001, the U.S. Government will focus on increasing the demonstrable benefit of U.S. Government-funded assistance to average Armenian citizens and to their standard of living, thereby building and sustaining popular and political support for the implementation of democratic and economic reform measures needed for creating a free-market democracy. The U.S. Government will seek to accomplish this goal by designing and implementing assistance programs with the following objectives:

- Stimulate growth and competition in the private sector and increase investment by both the private and public sectors, with a special focus on job creation in a market economy and on combating corruption (a particular emphasis will be given to developing and supporting business opportunities in the information technology, agribusiness and tourism sectors);
- Enhance Armenia's energy security by developing a safe and sustainable energy sector integrated into broader regional activities;
- Improve investor confidence and business development, and promote democracy and the rule of law by supporting a vigorous anti-corruption effort in coordination with the Armenian Government and the international donor community, including the Armenian diaspora;
- Strengthen public and political support for the continuation of economic reforms by bolstering Armenia's social safety net;
- Enhance foreign investor confidence in regional security and stability by stimulating regional integration and cooperation;
- Continue to reduce the amount of humanitarian assistance in favor of a more targeted development approach designed to provide more apparent and immediate benefit to average Armenians, with a particular emphasis on job creation, education and agriculture;
- Promote greater community activism and involvement, with a special emphasis on women's participation and leadership, through new USAID activities to promote citizen participation in governance; and
- Continue to enhance Armenia capabilities to control its borders to prevent illicit trafficking and promote legitimate commerce.

AZERBAIJAN

Political Overview

In FY 2000, Azerbaijan continued to make incremental progress in improving the democratic foundation for its government, although significant problems remain. With the assistance of the Warsaw-based Office of Democratic Institutions and Human Rights (ODIHR) of the Organization for Security and Cooperation in Europe (OSCE), the legal basis for conducting elections was improved. Although the November 2000 parliamentary elections demonstrated some progress over previous elections—particularly in terms of enhancing political pluralism—overall, the elections failed to meet international standards. Freedom of religion was generally respected in Azerbaijan in FY 2000. An active and independent media exists, and press censorship was officially abolished in 1998, but periodic harassment of the press continues. The Government of Azerbaijan replaced Soviet-era legislation by enacting new civil and criminal codes, which come closer to meeting international standards. This past summer, Azerbaijan's Ministry of Justice oversaw a judicial testing program that could improve the independence of the country's judiciary. However, corruption remained a major problem in Azerbaijan in FY 2000, continuing to undermine economic development and respect for the rule of law. Although the Government of Azerbaijan has formed two working groups to combat corruption, these initiatives have not yet yielded any visible improvements.

Economic Overview

In its brief history as an independent country, Azerbaijan has made important progress in the transition to a market economy. Legislation for a second-stage privatization program was enacted in May 2000, and a new tax code, adopted in July 2000, will go into effect in January 2001. The government's efforts to consolidate and privatize the country's banking sector continued, with the merger of three state-owned banks into United Universal Bank (UUB) and the transfer of the predecessor banks' non-performing loans to a separate collection entity. During the third quarter of 2000, the Government of Azerbaijan signed, and the Azerbaijani Parliament approved, the twentieth production sharing agreement (PSA) for development of the country's oil and gas sector.

Azerbaijan's macroeconomic outlook improved notably in FY 2000 due to strong oil prices and sound policy adjustments. Foreign reserves increased to over \$700 million, and \$238 million flowed into the country's nascent Oil Fund. Boosted by strong oil prices, GDP increased at a rate of more than nine percent for the first nine months of 2000, while annual inflation stood at 1.7 percent in September 2000. Azerbaijan's currency, the manat, depreciated 3.8 percent through the first nine months of 2000. However, in the areas of commercial law, accounting standards, tax administration and customs operations, practices in Azerbaijan continued to fall short of international standards and impede foreign investment and economic development. Licensing and regulatory practices were overly bureaucratic and non-transparent, thus making it more difficult to combat corruption.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$50.61 million in assistance to Azerbaijan, including \$32.18 million in FREEDOM Support Act (FSA) assistance, \$6.17 million in other U.S. Government assistance, and \$12.26 million in U.S. Defense Department excess and privately donated humanitarian commodities. Of the \$21.8 million in FSA funds allocated to USAID programs, USAID used \$10.0 million for humanitarian assistance, \$3.7 million for economic restructuring programs, \$4.2 million for democracy and governance programs, and \$3.0 million for cross-sectoral activities.

U.S. Government assistance programs in Azerbaijan operate within the parameters of Section 907 of the FREEDOM Support Act, which prohibits certain types of assistance to the Government of Azerbaijan until it takes steps to lift its economic blockades against Armenia. Over the past several years, U.S. Government assistance to Azerbaijan has mainly consisted of humanitarian assistance, democracy-building and education programs. More recently, however, programs have been added in areas such as security assistance, private-sector development and election preparedness, more clearly reflecting the U.S. Government's wide-ranging interests in the region. In FY 2000, U.S. Government-funded humanitarian assistance to internally displaced persons (IDPs) and refugees continued, but with an emphasis on activities that are designed to create job opportunities and increase income levels.

U.S.-Azerbaijan Task Force for Economic Development

A significant accomplishment in FY 2000 was the establishment of the U.S.-Azerbaijan Task Force (USAJTF) for Economic Development, which was formed by the U.S. and Azerbaijani Governments to provide a framework for regular high-level contacts, promote further economic cooperation and progress on economic and market reforms, and to maximize the effectiveness of U.S. Government-funded assistance programs in Azerbaijan. The USAJTF was formally established on January 20, 2000, with the signing of a memorandum of cooperation between the two governments. The U.S. delegation to the USAJTF is chaired by the Coordinator of U.S. Assistance to the NIS, and the Azerbaijani delegation is chaired by the Minister of Finance. The inaugural meeting of the USAJTF took place in Baku in May 2000, and a second meeting was held in Washington in October. Both meetings were well-attended by high-level officials from the U.S. and Azerbaijani Governments. The U.S. delegations included senior representatives from the U.S. Department of the Treasury, the U.S. Trade and Development Agency (TDA), the National Security Council, the Office of the U.S. Trade Representative, the U.S. Department of Commerce, and USAID. The meetings resulted in a number of cooperative efforts in the areas of macroeconomic and fiscal policy, anti-corruption efforts, privatization, foreign investment in the non-energy sector, investment climate and identifying priority areas for U.S. Government assistance. The cooperative efforts in these areas are ongoing, and the USAJTF is proving to be an extremely beneficial forum for resolving issues and identifying areas where close cooperation is needed to move reforms forward in Azerbaijan.

Social-Sector and Humanitarian Programs

U.S. Department of Agriculture (USDA) – Food Assistance: Through its Food for Progress Program, USDA provided approximately 8,900 metric tons of food assistance valued at approximately \$4.7 million for use in a feeding and monetization program implemented by the Adventist Development and Relief Agency and the International Rescue Committee. In addition, Azerbaijan received \$5 million in export credit guarantees under USDA's GSM-102 Program.

USAID Humanitarian Assistance: In FY 2000, USAID completed a Transitional Strategy for Azerbaijan for the period FY 2001 to FY 2003, which is centered around a transition from relieving basic humanitarian needs to promoting longer-term sustainable economic development through programs aimed at the private sector. Over the next three years, pending progress towards a resolution of the Nagorno-Karabakh conflict between Armenia and Azerbaijan, USAID hopes to be able to focus increasingly on facilitating the resettlement of IDPs and refugees and on meeting the immediate needs of this target population.

- USAID-funded grantees provided essential assistance to IDPs and refugees in Azerbaijan. Activities designed to promote economic opportunity provided training for some 8,700 participants, loans to some 3,400 individuals, and created over 3,100 jobs. USAID-funded efforts to strengthen primary health-care benefited over 167,000 IDP patients. A project currently being implemented in Gouranboy by CARE and Save the Children Foundation (SCF) has financed the rehabilitation of 78 homes and helped provide economic opportunities and health-care services.
- In a jointly funded activity, USAID supported the Office of the United Nations High Commissioner for Refugees (UNHCR), which has completed its project for the shelter portion of a World Bank resettlement program that benefited 2,000 IDP families in the Fizuli, Agdam and Ter-Ter regions.
- With USAID support, SCF organized 73 community action groups and implemented some 78 micro-community projects in shelter, primary education, income generation and health for victims of the Nagorno-Karabakh conflict. These village-based activities were implemented with the full participation of community groups in the area.
- With USAID support, the United Nations Children's Fund (UNICEF) expanded a program that provided immunization services to 98 percent of the IDP population in the area covered by the program. In April 2000, USAID also provided support to UNICEF to help it strengthen the primary health care system in areas of Azerbaijan with high concentrations of IDPs and refugees.

- USAID continued to work with the Government of Azerbaijan to help resettle IDPs and refugees. The Government of Azerbaijan has created a Social Development Investment Fund (SDIF) to support development benefiting resettled IDPs. USAID-funded technical assistance has helped strengthen the government's ability to manage this vital program. In cooperation with the World Bank and the United Nations, the Government of Azerbaijan has designed and put into use an operational manual for the SDIF. USAID plans to fund \$5.0 million in project activities to complement the SDIF's efforts. USAID also provided a grant to the United Nations Development Program (UNDP) to help local NGOs in areas with high concentrations of IDPs to coordinate the grassroots institutional development programs that are being implemented by the SDIF.
- Under a USAID-funded hospital partnership program administered by the American International Health Alliance (AIHA), the Baylor College of Medicine, Oregon Health Sciences University and Virginia Commonwealth University are working with three Azerbaijani hospitals to provide services to the IDP and refugee populations and other vulnerable groups.
- As of the end of FY 2000, USAID had obligated \$11.8 million for programs within Nagorno-Karabakh. Save the Children Federation (SCF) is implementing subgrants for work in the areas of health-care financing, housing rehabilitation, and subsistence-level income generation in Nagorno-Karabakh. Accomplishments in FY 2000 included the rehabilitation of an additional 680 shelter units (for a total of 1,051 to date), completion of the rehabilitation of medical facilities in Stepanakert as part of a mental health program to aid victims of post-traumatic stress disorder, and the issuing of 1,126 micro-loans to women to meet subsistence-level needs for food security.

U.S. Department of Defense (DoD) – Humanitarian Assistance: Under an initiative begun in FY 2000 and concluded in early FY 2001, DoD conducted disaster management training for 30 Azerbaijanis from various government ministries for two weeks in October-November 2000, with an emphasis on developing a national infrastructure within Azerbaijan that can react effectively to disasters.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS transported approximately \$12.26 million in privately donated and U.S. Defense Department excess humanitarian commodities to Azerbaijan at a cost of \$1.82 million to the U.S. Government. U.S. private voluntary organizations (PVOs) involved in distributing these commodities included the United Methodist Committee on Relief, International Relief and Development, Inc., Eaton-Hap, Counterpart Consortium, and Heart-to-Heart.

Democracy Programs

U.S. Government-funded democracy programs seek to strengthen civil society in Azerbaijan. NGO development assistance, international exchanges and advanced professional training programs in skill areas vital to civil society development have been particularly effective. Activities promoting an independent media, the rule of law, an independent judiciary, and transparency in political practices and commercial transactions have yielded incremental progress, although Azerbaijan's deficiencies in these areas are so significant that meaningful improvement will require sustained assistance by a broad range of donors and implementing organizations.

USAID Baku-Yerevan Weekly "Spacebridge" Television Program: In FY 2000, USAID grantee Internews began this activity aimed at developing mutual understanding and tolerance between the citizens of Armenia and Azerbaijan. Twenty-four interactive video conferences between influential individuals in Azerbaijan and Armenia are being developed. Up to 12 discussants will participate in each episode, which are to be filmed in both countries, edited, packaged and distributed for airing in both countries. Armenian and Azerbaijani participants have already agreed to potential topics, including refugees, peace negotiations, children and war, the environment, transport and communication, and trade and war.

USAID Regional Women's NGO Leadership Program: The USAID Mission in Armenia and the USAID Caucasus Regional Mission in Tbilisi supported an innovative program for women NGO leaders from Armenia, Azerbaijan and Georgia. Armenia hosted 16 women leaders from Azerbaijan and sent a delegation of 16 Armenians to Azerbaijan. As a result of this program there has been a significant increase in joint projects between the Armenian and Azerbaijani women. For example, during the program workshops in June 2000, the

women agreed to work together on the repatriation of prisoners of war held by both countries, and they subsequently helped organize several prisoner exchanges.

U.S. Department of State – Internet Access Programs: Providing increased public access to the Internet is a top priority of U.S. Government-funded democracy assistance in Azerbaijan. The Internet Access and Training Program (IATP), which is managed by the U.S. Embassy's Public Affairs Section and implemented by the International Research and Exchanges Board (IREX), has established a network of public-access Internet sites that is now beginning to expand beyond Baku into Azerbaijan's regions. In FY 2000, IATP made a transition from providing training in basic Internet and computer skills to more focused training in website design and practical utilization of Internet resources. In addition, the Online Communities Project, which is also managed by the Public Affairs Section and is being implemented by Project Harmony, is establishing two distinct online communities in the Caucasus region—one for business support and one for those working with internally displaced persons (IDPs) and refugees in the region. Comprehensive websites, online resources, training and related events are being sponsored for each of the two online communities. IATP and the Online Communities Project are coordinating their efforts with each other, as well as with several Internet initiatives being funded by the Open Society Institute.

USAID Election-Related Programs: The exemption of democracy programs from the Section 907 restrictions on assistance to the Government of Azerbaijan has allowed for the expansion of U.S. Government-funded efforts in this area. In addition to working with Azerbaijan's non-governmental sector, U.S. NGOs are now allowed to work directly with the Government of Azerbaijan in providing such assistance. For example, in preparation for the December 1999 municipal elections, the National Democratic Institute (NDI), International Republican Institute (IRI), and the International Foundation for Election Systems (IFES) worked with both governmental and non-governmental entities in Azerbaijan, helping to draft electoral legislation and training government officials in implementing that legislation, and helping the Azerbaijani Government form municipal councils. In cooperation with the Central Election Commission (CEC), IFES conducted voter education programs to inform Azerbaijani citizens about the electoral process. NDI fielded an election observation mission and provided commentary and analysis on the electoral process. In preparation for the November 2000 parliamentary elections, IFES continued to provide technical assistance to the CEC. IFES also monitored and provided advice to the CEC on the implementation of the election law. IFES conducted a train-the-trainers program for members of Azerbaijan's territorial election commissions and produced an election-day manual. In conjunction with the CEC and USAID grantee Internews, IFES conducted a voter education campaign on Azerbaijani television, which included topics such as checking voter lists, the functions of the national parliament and responsibilities of its members, and the voting process. In addition, IFES produced a brochure on the functions of the national parliament and a poster on voting procedures.

USAID Independent Media Programs: Internews, a USAID grantee, has been working in Azerbaijan since 1995 to help independent television stations produce and exchange programming, and to help implement existing legislation and draft new laws and policies in support of a free press. In FY 2000, Internews conducted a series of seminars for local journalists, writers, photographers and reporters on editing and basic journalism. In the area of electronic media, Internews is helping to produce 104 issues of the weekly television newsmagazine "Gouzgou" ("Mirror"), 104 episodes of the Caucasus-wide television program "Perekrestok" ("Crossroads") and 26 episodes of the weekly television program "Biznes Nedeli" ("Business Week"). Internews also supported a local biweekly newspaper in Ganja, the second largest city in Azerbaijan, and awarded investigative journalism fellowships to newspaper reporters. In addition, Internews supported a press center in Baku and a press-center bulletin for the December 1999 municipal elections and the November 2000 parliamentary elections.

USAID NGO Development Program: With USAID funding, the Initiative for Social Action and Renewal in Eurasia (ISAR), a U.S. NGO, is working in Baku, Sumgayit and five rural regions of Azerbaijan to provide capacity-building assistance to local NGOs. ISAR is taking a four-pronged approach, which includes a grant-making program, a training program, an information program, and an outreach program in Azerbaijan's regions. ISAR awards small and medium-sized grants to NGOs working on environmental and social issues, and small travel grants to local NGOs interested in participating in regional and international NGO conferences and other activities. In addition, ISAR awards \$80,000 per year in large grants of up to \$20,000 to well-established Azerbaijani NGOs. ISAR also conducts monthly information sessions in each region of Azerbaijan; NGO management training in one region each month; individual consultations on NGO development issues and

proposal-writing skills; and information dissemination on grant opportunities, conferences, seminars and training opportunities.

USAID Rule-of-Law Activities: The American Bar Association's USAID-funded Central and East European Law Initiative (ABA/CEELI) began providing technical assistance in Azerbaijan in April 1999. In FY 2000, ABA/CEELI began helping the Ministry of Justice to develop a training plan for judges. ABA/CEELI is actively helping to reform the legal profession in Azerbaijan by operating a legal resource center for law professionals, university students, and NGOs, which was used by some 230 visitors in September 2000 alone. ABA/CEELI conducts biweekly continuing legal education lectures on commercial law for local lawyers, has developed a workshop on basic commercial law skills, and is drafting a handbook for Azerbaijani commercial lawyers. ABA/CEELI works with the Legal Education Society, a local NGO, to train law students in basic advocacy skills. In September 2000, ABA/CEELI opened a law clinic at the Azerbaijan University. An experienced specialist from the United States spent a month with the clinic's faculty, providing guidance in how to structure the clinic, which will focus on women's rights and criminal procedure cases. ABA/CEELI is also working on identifying reform-oriented judges and lawyers to help them establish independent judges' and lawyers' associations, and is planning to send a group of Azerbaijani court administrators to the United States for training at the National Center for State Courts.

Democracy Fund Small Grants Program: The Democracy Fund Small Grants Program has been a highly effective tool that allows the U.S. Embassy to provide targeted assistance (through grants of up to \$24,000) to grassroots organizations. In FY 2000, the U.S. Embassy's Democracy Commission awarded 13 grants totaling \$180,000 to Azerbaijani NGOs involved in promoting civil-society development; the free flow of information; transparency in government; voter education and public information; rule of law and legal reform; conflict resolution and tolerance; human rights; civic education; market economy; and ethnic, minority, and women's equality. Democracy Commission grants supported activities such as women's leadership and policy studies courses; a translation of a book on lawmaking; the establishment of a resource center for primary and secondary school teachers; publication and distribution of 5,000 copies of six pocket-sized booklets on economic rights and 500 copies of a brochure for trade unions on how to make collective agreements; providing information on principles of democratic and civil societies to regional NGOs and facilitating the development of new human rights NGOs in seven southern regions of Azerbaijan; educating handicraft artisans on the principles of a free-market economy, small-business administration, marketing and the formation of trade development associations; publication of a book on the role of television and radio journalism in the election process in a democratic system and monthly election roundtables for television and radio journalists, students, and political party members; independent media coverage of the November 2000 parliamentary elections in Azerbaijan; creation of the first local online network by Azerbaijani mass media outlets; and a photojournalism exhibition, contest and website.

Economic Restructuring Programs

USAID Small-Business Lending and Micro-Credit Program: In FY 2000, USAID expanded its support to Azerbaijan's private sector via small-business lending and micro-credit activities. Shorebank, a USAID grantee, continued to provide training and technical assistance to private banks that are providing loans of up to \$100,000 as part of a lending portfolio from the International Finance Corporation (IFC). The USAID-supported Foundation for International Community Assistance (FINCA) has expanded its services outside of Baku to the Massala Region. FINCA is making loans of \$50 to \$1,000 to micro-enterprises in villages that are not being served by the country's commercial banking sector.

USAID Agribusiness Development Program: In FY 2000, USAID initiated three activities addressing major constraints in the agribusiness sector, which has been identified by the Azerbaijani and U.S. Governments, as well as other donors, as a sector that presents major investment opportunities. Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), a USAID grantee, began facilitating the development of a rural credit banking system. As part of this activity, ACDI/VOCA is providing technical assistance, training and capital to selected rural communities that exhibit a potential for economic growth. ACDI/VOCA also provided farmer-to-farmer assistance on specific technical issues by bringing skilled and experienced U.S. volunteers to Azerbaijan. USAID grantee Land O'Lakes began implementing a major activity addressing production, processing, marketing, packaging and quality improvements in the livestock industry, a major source of employment and income generation in the rural areas of Azerbaijan. USAID grantee Citizens' Democracy Corps (CDC) began providing technical assistance and

training to a variety of agribusiness enterprises that can provide commodities and contract services to Azerbaijan's business community. CDC is working with these enterprises to improve their competitiveness in bidding for and providing contract services and commodities, helping them develop contract bids and determine allocations of personnel costs. In addition, USAID sponsored the first of several private-sector business/trade delegations in cooperation with the University of Oklahoma. Also in FY 2000, a venture capital investor and three USAID-funded agribusiness specialists assessed the business investment potential in several areas of Azerbaijan. The team's preliminary conclusions are that agribusiness (in particular, vegetables, nutmeats, fruits and wood products) and construction are two sectors that show a substantial potential for investment. In FY 2001, the Agribusiness Development Program will focus on establishing a private-sector-owned and -operated pilot business center in the Zagatala Region to expand on other donor activities in the area and to reinforce the economic potential that has been identified in Zagatala. The business center will provide technical assistance and training in modern business management techniques to private-sector enterprises. A team of local specialists, with support from technical advisors, will provide fee-based services to improve local business capabilities and expand employment in the region. In addition, USAID plans to finance additional business delegations to promote domestic and foreign investment in potential growth areas.

USAID Support for Regional Energy-Sector Cooperation: Through an initiative jointly carried out by the USAID Mission in Armenia and the USAID Caucasus Regional Mission in Tbilisi, dialogue among Armenian, Azerbaijani and Georgian energy-sector representatives was reestablished, including the consideration of cross-border energy security and energy efficiency measures and the implications of water management on regional energy markets.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought almost 1,300 Azerbaijani citizens to the United States for short-term professional or long-term academic training, including some 320 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts. Training and exchange programs, particularly those targeting the younger generation, continued to be a primary focus of U.S. Government assistance to Azerbaijan in FY 2000.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2000, over 200 Azerbaijanis traveled to the United States on academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). The Future Leaders' Exchange (FLEX) Program gave 55 Azerbaijani secondary school students an opportunity to attend U.S. high schools and live with American families, with the goal of establishing self-sustaining linkages between the next generation of Azerbaijani leaders and their U.S. counterparts. Alumni of the FLEX Program are finding jobs throughout Azerbaijan and are taking part in NGO and volunteer activities. Also in FY 2000, 17 Azerbaijanis participated in the FREEDOM Support Act (FSA) Undergraduate Exchange Program and 48 participated in the Edmund S. Muskie/FSA Graduate Fellowship Program. These programs are designed to address Azerbaijan's specific infrastructure-development needs, and are therefore a critical component of the U.S. Government's efforts to promote reform. In addition to the above-mentioned academic exchange programs, the U.S. Embassy's Public Affairs Section also sponsored a variety of professional exchange programs in FY 2000. A total of 35 Azerbaijani participants traveled to the United States under the International Visitors (IV) Program, two under the Contemporary Issues Fellowship Program, four under the Regional Scholars Fellowship Program, and seven academicians participated in the Junior Faculty Development Program. (See also U.S. Department of State – ECA Bureau section in Part III of this report.)

U.S. Department of State – Educational Partnerships: The ECA Bureau-supported partnership between the Azerbaijan Oil Academy and Georgia State University has developed a fully functioning master's degree program in business administration (MBA) with a reputation for providing a quality education. The two institutions are planning to expand their partnership activities to include undergraduate programs and to integrate the MBA program more tightly with the Academy's curriculum. Similarly, Western University has taken full advantage of its ECA-supported partnership program with Northern Alabama University in the field of executive business education. In addition, with the help of a linkage program with Indiana University, Azerbaijan's largest and most important state-run educational institution, Baku State University (BSU), got its American Studies Center fully under way this year. This is the first American studies center in Azerbaijan, and it is having a major impact on both BSU faculty and students. Since BSU's student body consists of many of Azerbaijan's less affluent students, BSU's American Studies Center plays a key role in spreading understanding

about America to an entirely new audience of Azerbaijani students who would otherwise not have such an educational opportunity. Indiana University is also partnered with Western University to develop undergraduate and graduate programs in public affairs and management. Also in FY 2000, the State Department's School Linkage Program, which is now in its fourth year, continued to foster relationships between U.S. and Azerbaijani secondary schools. Each year, four Azerbaijani schools are linked with four U.S. schools in Florida. In FY 2001, five students and one teacher from each of the four participating Azerbaijani schools will spend a month in their U.S. sister schools, studying, exchanging ideas and living with U.S. host families. Five students and one teacher from each of the participating U.S. schools will then make month-long reciprocal visits to Baku. The exchange visits will be preceded and followed by Internet contacts between the schools.

U.S. Department of State – Educational Advising: In FY 2000, the U.S. Embassy's Public Affairs Section, in conjunction with the Open Society Institute, continued to provide support for educational advising through the Baku Educational Information Center. The Center provides advice to individuals and groups on educational opportunities in the United States and helps them prepare for various foreign educational exams.

U.S. Department of State – Book Translation Programs: In FY 2000, the U.S. Embassy's Public Affairs Section continued to support the translation and publication of books on subjects such as human rights, freedom of information and the press, and principles of representative democracy and market economics. Few, if any, relevant texts are available in the Azerbaijani language on such topics. The Public Affairs Section also continued to work with the Tutu Children's Publishing House to develop and publish five illustrated high school textbooks on democracy in the Azerbaijani language in Latin script.

U.S. Department of State – Library Development Programs: In December 1999, the U.S. Embassy's Public Affairs Section established an Information Resource and Training Center for librarians and funded a U.S. library and information resources specialist. The Center's staff have developed close contacts with the directors of all of Azerbaijan's main libraries and have provided fundamental training on library automation and information sciences; assisted in establishing an automation, training and rare books preservation program at the Akhundov National Library; and helped provide in-service training at the Academy of Sciences. The Center has also created a website (<http://azeribooks.aznet.org/azeribooks>) that is becoming a major information resource for the library community, and has developed the first Azerbaijani-language electronic library with over 80 classic Azerbaijani texts, both in Cyrillic and Latin scripts.

USAID Training Programs: In FY 2000, USAID trained over 1,300 Azerbaijani citizens in a variety of topics related to economic restructuring, democratic transition and social stabilization: approximately 100 of them through U.S.-based programs, 70 in third-country programs and over 1,100 in in-country programs. (Please see USAID – Global Training for Development (GTD) Project section in Part III of this report.)

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2000, SABIT provided short-term training to four Azerbaijani entrepreneurs to familiarize them with U.S. business practices, management, and technology. Some twenty Azerbaijani entrepreneurs have participated in the SABIT Program since 1992. In FY 2001, SABIT programs will focus on such topics as accounting, women in the apparel industry, and offshore oil-spill clean-up. (Please see U.S. Department of Commerce – SABIT Program section in Part III of this report.)

U.S. Department of Agriculture – Cochran Fellowship Program: In FY 2000, the Cochran Program provided short-term training to nine Azerbaijani agriculturalists. (Please see U.S. Department of Agriculture – Cochran Fellowship Program section in Part III of this report.)

Trade and Investment Programs

U.S. Export-Import Bank: In FY 2000, Eximbank provided a \$121 million loan guarantee for the purchase of two Boeing 757 aircraft to Azerbaijan's state airline, AZAL. The first of the two aircraft was delivered to Azerbaijan in October 2000.

U.S. Trade and Development Agency (TDA): In FY 2000, TDA conducted two definitional missions to Azerbaijan. A TDA disaster preparedness mission trained various Azerbaijani Government agencies in cooperative efforts for managing natural disasters. The second mission was part of an ongoing study on construction of a multi-purpose seismic and environmental monitoring system (\$253,000); TDA also funded

feasibility studies on establishing an International Finance Corporation (IFC)-backed investment fund to support the co-production of oilfield equipment in Azerbaijan (\$175,000) and on the construction of a complex to produce caustic soda, chlorine and other chemicals (\$400,000). TDA is providing partial funding (\$375,000) for a construction study of a cardiovascular center in Baku. TDA has also approved partial funding for two additional projects: a study of jet and diesel fuel improvements and naphthenic waste recovery at the Baku Refinery (\$500,000); and a study of Azerbaijan's gas sector (\$425,000). In FY 2000, TDA also invited several Azerbaijani health care professionals to a TDA-sponsored Central Asia/Caucasus regional health care symposium in Tashkent, Uzbekistan, where participants had an opportunity to meet with U.S. health care firms. In October 2000, five Azerbaijani entrepreneurs traveled to the United States on an orientation mission to meet with U.S. agribusinesses, and eight Azerbaijani entrepreneurs traveled to the United States on an orientation mission to meet with U.S. construction firms.

Security Programs

In FY 2000, the U.S. Government continued to expand its security assistance activities with Azerbaijan. The risk of proliferation of weapons of mass destruction (WMD) and associated delivery systems, dual-use weapons, materials, technologies and expertise in or through Azerbaijan remains a serious concern. By intercepting such shipments, the Government of Azerbaijan demonstrated that it takes these issues seriously, and in response, U.S. Government agencies began to expand nonproliferation cooperation with Azerbaijan.

The U.S. Department of Defense (DoD) worked with the U.S. Department of State to significantly increase U.S. military-to-military contacts with Azerbaijan's Ministry of Defense (MOD), while complying with Section 907 constraints on U.S. assistance to the Government of Azerbaijan. U.S. European Command (EUCOM) traveling contact teams visited Baku to provide instruction on topics such as civilian control of the military, and Azerbaijani MOD officials participated in training courses at DoD's Marshall Center in Germany.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2000, the State Department expanded its cooperation with Azerbaijan under the EXBS Program. A number of EXBS training sessions and equipment deliveries were undertaken. In November 1999, four Azerbaijani Government officials traveled to Tbilisi, Georgia, for a regional workshop on export controls. In March 2000, the State Department funded the travel of a five-person delegation headed by Azerbaijan's Border Guard Commander to the United States to meet with U.S. Coast Guard officials and other maritime border enforcement experts. In April 2000, a four-person delegation traveled to the Lawrence Livermore Nuclear Laboratory in California to participate in a Caucasus regional workshop on nuclear export controls. Also in April 2000, the State Department funded the travel of a U.S. Coast Guard mobile training team to Baku to conduct a technical assessment and provide training to maritime border enforcement officials. Azerbaijan's maritime region has enormous potential for both legitimate and illegal commerce, but the Azerbaijani Government agencies responsible for maritime law enforcement are sorely in need of resources to conduct surveillance and boardings in the Caspian Sea and provide port security in Baku. In August 2000, the State Department funded the installation of portal monitors on Azerbaijan's northern border. Other FY 2000 activities included the provision of surplus portable radar equipment, global positioning systems (GPS), and depth-finder equipment to Azerbaijan's Maritime Border Guards. In October 2000, a U.S. Coast Guard mobile training team conducted a technical assessment and provided training to maritime border enforcement officials in Baku.

U.S. Defense Department (DoD)/U.S. Customs Service Counter-Proliferation Program: Following the August 1999 transfer of an x-ray van to Azerbaijan's State Customs Committee, the U.S. Government conducted weapons-of-mass-destruction counter-proliferation training at the International Law Enforcement Academy (ILEA) in Budapest, Hungary, in November 1999 for a total of 40 Azerbaijani Government officials, funded by the U.S. Defense Department (DoD)/U.S. Customs Service Counter-Proliferation Program. In addition, in May 2000, the DoD/Customs Counter-Proliferation Program funded a training course in Baku.

Other Nonproliferation Programs: Azerbaijan is applying to become a member of the State Department-supported Science and Technology Center in Ukraine (STCU), which provides former Soviet weapons scientists with opportunities to work on peaceful civilian research projects to help reduce temptations to sell their expertise to countries of proliferation concern. In FY 2000, the U.S. Government also encouraged the participation of Azerbaijani former weapons scientists in peaceful research projects supported by the U.S. Civilian Research and Development Foundation (CRDF).

Demining Initiative: As part of the Beecroft Demining Initiative begun in FY 2000 and concluded in early FY 2001, the U.S. Department of Defense sponsored the participation of 15 Azerbaijanis in demining training conducted in Georgia for troops from Azerbaijan, Armenia and Georgia, and provided demining equipment to the program's participants.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2000, the Eurasia Foundation's major accomplishment in Azerbaijan was the creation of an independent grant-making country office in Baku, and the resulting transition from a regional Caucasus program that includes Azerbaijan to a full country program for Azerbaijan. The creation of the new office will provide a solid platform for significant increases in the Foundation's grant commitments in FY 2001 and beyond. With support from USAID, the Eurasia Foundation's field office in Baku awarded six grants totaling over \$118,000 in FY 2000 to Azerbaijani NGOs working to support civil society-building, private enterprise development and public administration and policy. In particular, the Foundation has been promoting the development of professional and business associations in Azerbaijan, among them an indigenous press association that has been working with the National Assembly to reform the country's media law. To help overcome the political and economic obstacles to regional integration, the Eurasia Foundation's South Caucasus office has created the Southern Caucasus Cooperation Project (SCCP), a program designed to facilitate greater contact and cooperation among leading organizations in Armenia, Azerbaijan and Georgia. In FY 2000, the SCCP supported cross-border projects in areas such as business development, legal reform, civil-society building, and public administration, awarding 57 grants totaling over \$27,700, of which almost \$8,200 was provided to Azerbaijan-based NGOs working in the region. SCCP has awarded grants to encourage cooperation in the development of civil-rights advocacy groups in the South Caucasus region, to create a database on laws and normative acts on civil rights and business in the region, and to encourage regional cooperation among NGOs and independent media outlets.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2000, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA: promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2001 Programs

In FY 2001, the U.S. Government plans to reduce the amount of assistance solely devoted to meeting the basic needs of internally displaced persons (IDPs) and refugees, and to focus increasingly on private-sector development, with a particular emphasis on job and income creation, and on rural areas that have not benefited from oil and gas development, which is primarily concentrated in the capital city of Baku and its immediate environs. Specific areas of focus will include finding solutions to economic development constraints such as limited credit availability, and improving business management capabilities, market development, and product diversification. The U.S. Government will continue to strengthen the capabilities of Azerbaijan's growing NGO community, which is taking on greater responsibility in addressing social and economic issues. The U.S. Government will also continue to support activities aimed at improving the quality and responsiveness of Azerbaijan's independent print and broadcast media, and in particular, their ability to report political, economic and social news and events in an informative and unbiased manner. The U.S. Government will seek to promote democratic governance and improve the circumstances for expanding basic human rights and civil liberties in Azerbaijan.

Under the Export Control and Related Border Security (EXBS) Program, the U.S. Department of State is posting a permanent resident program advisor to the U.S. Embassy in Baku who will oversee the implementation of State Department-funded nonproliferation assistance programs in Azerbaijan. A long-term U.S. Coast Guard (USCG) advisor also will be assigned to the Embassy in March 2001 under the EXBS advisor to help Azerbaijan's Maritime Border Guards make the best use of assistance provided under the EXBS Program. The maritime advisor will facilitate the delivery of two 48-foot patrol boats to Azerbaijan in spring 2001 and the provision of extensive USCG training to help the Maritime Border Guards develop the capability to operate the vessels for nonproliferation and export control operations.

BELARUS

Political Overview

In FY 2000, political conditions in Belarus continued to be marked by the capricious application of authoritarian laws and regulations; and sustained harassment of opposition political parties, opposition figures, non-governmental organizations (NGOs), and the independent press. Rule by presidential decree continued to extend to all aspects of Belarusian society, without any effective checks from the legislative or judicial branches. Belarus's state security services continued to use force, administrative sanctions, and re-registration requirements to intimidate and threaten opposition parties and independent elements of civil society. Most opposition parties boycotted the October 2000 parliamentary elections, which did not meet international standards for free and fair elections, and they remained committed to challenging the Belarusian Government's policies. Opinion polls showed a continuing erosion of support for head of state Lukashenko. Presidential elections are due to be held in 2001.

Economic Overview

The economic system in Belarus is characterized by abuse of property rights, and arbitrary centralized economic management. Presidential Decree Number 40, which was promulgated in 1999 and through which Lukashenko granted himself the power to confiscate any property without due process or compensation, continues to stifle economic activity. In FY 2000, the authorities continued to direct lending from Belarus's commercial banks to the country's highly indebted agricultural sector, thereby further distorting the balance sheet of Belarus's banking sector. The authorities continued to claim that the Belarusian economy grew at a healthy real rate, although this claim disregarded stagnating living standards, high inflation, the fiscal deficit, and the country's dependence on sizeable Russian subsidies to avoid insolvency. The authorities continued to promote the idea of a union with Russia, including monetary union, and drew attention to the introduction of a unified exchange rate, but avoided the fiscal, legal and structural reforms needed to make such a union possible.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$24.32 million in assistance to Belarus, including \$8.70 million in FREEDOM Support Act (FSA) assistance, \$900,000 in Educational and Cultural Exchanges (ECE) funds, and \$14.72 million in U.S. Defense Department excess and privately donated humanitarian commodities. Assistance to Belarus continues to be subject to the U.S. Government's policy of selective engagement with the Government of Belarus, a policy adopted after the illegal constitutional referendum of November 1996, through which Lukashenko extended his term of office and brought about the dissolution of Belarus's legitimate parliament. Under the policy of selective engagement, hardly any bilateral assistance is channeled through the Government of Belarus, except for humanitarian assistance and programs involving state-run educational institutions. Virtually all U.S. Government assistance to Belarus is targeted at the country's non-governmental sector, particularly those NGOs that are working to promote the development of civil society and the free flow of information.

In FY 2000, the U.S. Government's assistance strategy for Belarus was focused on promoting the growth of civil society, especially in the country's regions, and on encouraging Belarusian citizens to seek non-governmental solutions to their issues of concern, rather than relying solely on the government. U.S. Government-funded assistance programs sought to increase awareness of citizen participation as an alternative to governmental action. To this end, the U.S. Government provided support to Belarusian community-level groups that, despite harassment by the authorities, continue to promote democracy and market-based economics in Belarus. The U.S. Government also sought to counteract the Belarusian Government's efforts to limit the free flow of information in Belarus, providing small grants, legal aid, Internet access and other essential services to Belarus's besieged independent press, and continued to help encourage the development of small-scale private enterprise.

Training and Exchange Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 2,000 Belarusian citizens to the United States for short-term professional or long-term academic training, including some 270 in FY 2000 alone. These programs are giving reform-oriented Belarusians an opportunity to develop their skills and establish contacts with U.S. counterparts.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2000, academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA) continued to be a key component of U.S. Government-funded assistance to Belarus. Over 250 Belarusians traveled to the United States under the ECA Bureau's academic and professional exchange programs. The Community Connections Program, launched in Belarus in 1997, provides community-based U.S. internships for Belarusian entrepreneurs and NGO leaders. A total of 100 people from five cities in Belarus traveled to the United States for short-term professional training under this program in FY 2000. The Public Affairs Section also sent groups of Belarusians to the United States for professional training in areas such as education, intellectual property rights, book publishing and political campaigns. In addition, the Public Affairs Section brought U.S. specialists from various disciplines to Belarus to give lectures and consult with local counterparts: for example, one specialist advised various groups of professionals who deal with intellectual property rights (IPR) about the differences between U.S. and Belarusian IPR laws.

Crossborder Business Training: In FY 2000, as part of the U.S. Government's Northern European Initiative (NEI), USAID initiated a training program conducted by the Management Training Center in Panevezys, Lithuania, for entrepreneurs from Kaliningrad (Russia), Belarus and Lithuania. This program, which seeks to promote cross-border cooperation among the states of the Baltic Sea region, gives entrepreneurs from Belarus an opportunity to gain knowledge in practical business principles and to network with their counterparts from Lithuania and Kaliningrad. During August 2000-September 2001, approximately 200 participants from Kaliningrad and Belarus will be trained in business and business support topics in Panevezys. With support from the Lithuanian Embassy in Minsk, a total of 75 Belarusian entrepreneurs have been selected to participate in the program. There will be a total of eight training sessions, each of which will accommodate 25 participants.

Democracy Programs

Democracy Fund Small Grants Program: In FY 2000, the U.S. Embassy's Democracy Commission awarded over 100 grants totaling approximately \$1.6 million in support of print and electronic media, independent trade unions, youth and women's groups, human rights groups and other democratically oriented organizations. This brings the cumulative number of Democracy Commission grants to over 220 since 1997. Although Democracy Commission grants are limited in size (individual grants do not exceed \$24,000, with most falling between \$5,000 and \$15,000), they have proven to be a very effective vehicle for supporting pro-reform segments of Belarusian society, especially at the local level. Democracy Commission grants made it possible for many small local newspapers and other media outlets to continue or expand their outreach with news and analysis not available through national channels. These grants also helped provide a range of alternative information sources to citizens during the parliamentary elections. Democracy Commission grants also supported NGOs' efforts to explain legal rights and provide information and counseling on legal issues through workshops, brochures, bulletins and clinics throughout Belarus's regions.

USAID Political Party Development Programs: In FY 2000, for the first time in Belarus, the International Republican Institute (IRI) and the National Democratic Institute (NDI) conducted in-country training on party- and coalition-building and on strengthening political skills for democratically oriented organizations, party leaders and activists. IRI and NDI had previously conducted such training activities outside of Belarus. Seminars for members of the regional branches of the Belarusian Popular Front, United Civic Party and Belarusian Social-Democratic Party were conducted in Vitebsk, Mogilev, Grodno and Brest. These regional seminars were designed to help Belarus's pro-reform parties build a strong grassroots base and to coordinate coalition-building activities between parties at the local level and between local and national party organizations. Both IRI and NDI initiated regular coordination meetings with the Organization for Security Cooperation in Europe (OSCE) Advisory and Monitoring Group (AMG) in Belarus to improve cooperation among all donors assisting democratically oriented organizations in Belarus. As a result of its cooperation with the AMG, IRI began helping the Belarusian Initiative Center (BIC), a democratic party organization, to conduct seminars on political participation and campaigning, and open six regional offices to increase the coordination of activities of

democratic political parties in the regions. In FY 2001, IRI and NDI will continue to conduct in-country workshops, and will implement programs that bring to bear the Central and Eastern European countries' experience in the area of political party-building.

USAID Support for Independent Print Media: The ProMedia II Program implemented by the International Research and Exchanges Board (IREX) offers technical and legal assistance to Belarus's independent media, especially in the regions outside Minsk. During FY 2000, IREX worked directly with 32 newspapers with a combined total circulation of 532,000. Although the long-term goal of IREX's efforts is to increase the sustainability of independent media in Belarus by focusing on issues related to economic viability, IREX has adapted its Belarus activities to address the extremely adverse working environment for independent media. In FY 2000, IREX began providing direct assistance in the form of small grants to four independent newspapers in need of immediate help. In response to harassment of independent newspapers by tax authorities, IREX focused on updating and strengthening the independent newspapers' financial accounting capabilities. IREX also continued to provide independent journalists with critical professional services and training, including access to the Internet and electronic mail, a professional photo service, and technical advice. An IREX-funded market survey on the status of media and readership preferences in March 2000 gave independent print media a valuable tool for increasing their circulation. These services have helped Minsk-based and regional papers to greatly improve their quality. In addition to working with journalists, IREX also monitored Belarusian authorities' restrictions on and harassment of the free press, and helped journalists defend their rights by providing them with legal advice. In FY 2000, the Belarusian Government stepped up its attacks on the independent press by increasing the frequency of arbitrary notifications to close newspapers, ostensibly for violating the Law on the Press. As a result of assistance provided by IREX's legal defense team, five independent newspapers were able to continue publication. Three regional newspapers ran into tax troubles with their grants, but after IREX's intervention, the tax authorities settled for a symbolic amount in two of the cases and were defeated in court in the third case. In FY 2001, IREX will concentrate on building up its team of lawyers trained in media law to improve the overall legal climate for the independent press and to bolster the local capacity to defend against harassment by the authorities.

USAID Support for Independent Television: Under a subcontract through IREX's ProMedia II Program, Internews initiated an independent television support project with the Belarusian Television Network, a network of 20 independent regional television stations. The project's goals are to provide independent television journalists with services and training to improve their ability to produce objective, fact-based news programming, and to support a regional news exchange program, which was initiated at the end of September. Internews conducted training and seminars on television journalism, news production and newsroom management; and provided on-site consultations for the TV companies' directors. Further U.S. Government support to these independent television stations will depend on their ability to broadcast objective information without getting shut down by authorities.

Support for Independent Radio Broadcasting: In FY 2000, the U.S. Government and other donors began providing assistance to newly established radio stations located outside of Belarus whose target audiences are Belarusian communities living in neighboring countries. Since these radio stations can also be heard in Belarus, they are the only truly independent electronic source of Belarusian-language news and information available to the citizens of Belarus.

USAID Rule of Law Programs: When it was began operations in Belarus in 1992, the American Bar Association's USAID-funded Central and Eastern European Law Initiative (ABA/CEELI) focused on reforming legal education, the legal profession and the judiciary. However, due to implementation of the U.S. Government's Selective Engagement policy and because Belarusian Government institutions have not been willing to institute reforms, ABA/CEELI has shifted its attention to promoting human rights and freedoms, strengthening law-related NGOs, and educating average Belarusian citizens about their rights under Belarusian law. ABA/CEELI has been working with lawyers from 22 legal advice centers run by independent trade unions and NGOs to improve the quality and increase the availability of free legal advice to the population. In FY 2000, ABA/CEELI also continued its highly successful Street Law Program, educating more than 2,000 participants about their basic rights. With ABA/CEELI's support, young lawyers and law students conducted lectures and interactive seminars on constitutional and human rights, international standards, administrative detention and domestic violence in all of Belarus's regions, including the most remote areas. ABA/CEELI also continued to sponsor a series of law seminars for the Free Trade Union of Belarus designed to educate workers on the

principles of the independent trade union movement, employment and human rights law, and the protection of employee rights and freedoms.

USAID Support for NGO Development: The USAID-funded Counterpart Alliance for Partnership (CAP) aims to promote civil society development in Belarus by providing assistance to local NGOs. In FY 2000, CAP worked to increase the effectiveness of Belarusian NGOs by providing them with small grants and training in governance, social marketing, organizational development, coalition building and strategic planning. CAP devoted approximately half of its USAID funding to program activities such as roundtables, seminars, workshops, and cross-border exchanges, and one third to small grants for Belarusian NGOs. In FY 2000, CAP expanded its activities in the legal sphere, providing legal support and education to strengthen the capacity of its Belarusian NGO partners to protect their own rights. CAP worked with the International Center for Not-for-Profit Law (ICNL) to initiate a dialogue between NGOs and Belarusian Government officials, opening the door for greater NGO involvement in legislative drafting in the future. CAP helped Belarusian NGOs broaden their local constituencies and undertake advocacy efforts to strengthen citizens' influence on the political process.

Economic Development Programs

USAID Support for Small-Scale Privatization: From April 1993 to May 2000, with USAID assistance, the International Finance Corporation (IFC) fostered the development of small private businesses in the retail trade and food catering sectors, in which 70 percent and 51 percent of all municipally owned enterprises were privatized, respectively. Compared with start-up businesses, these privatized businesses proved to be much more resilient to Belarus's unfavorable economic conditions. Over the project's life, 95 percent of the businesses privatized with IFC's assistance remained operational. During FY 2000, 60 IFC-conducted auctions of municipally owned property in 27 cities and districts throughout Belarus resulted in the privatization of 146 enterprises and generated almost \$2.2 million in revenues. In addition, IFC helped implement ten employee buy-outs of municipal enterprises, which produced revenues of over \$528,000. In addition, IFC trained city and district specialists in small-scale privatization issues and helped create 13 condominium homeowners' associations, while developing sample documents for the creation of a Union of Condominium Homeowners' Associations. However, in early FY 2000, a further slowdown in the pace of privatization occurred, reflecting a lack of political will on the part of the Belarusian authorities to complete the privatization process. Simultaneously, the business environment in Belarus deteriorated to the extent that it posed a serious risk to the very survival of the small business sector. Under these circumstances, the continuation of the IFC's privatization efforts could no longer be justified, and the IFC redirected its efforts towards providing assistance to small and medium-sized enterprises (SMEs), so as to preserve the gains that had been made to date. In May 2000, the IFC's Small-Scale Privatization Project was completed, and in June 2000 the IFC's SME Development Project was launched. During FY 2000, the IFC conducted 117 informational and educational events on SME development and privatization, business planning and cost management for entrepreneurs and start-ups, which attracted almost 6,300 participants. In addition, a hotline service established by the IFC and its Belarusian partner organizations in all *oblast* (regional) capitals provided almost 1,900 consultations on business-related issues to private business owners and market vendors.

USAID Support for Women Entrepreneurs: The Women's Economic Empowerment Program implemented by Winrock International and Agricultural Cooperative Development/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) provides support to women's business initiatives, with the goal of empowering women to take more control over their personal and economic situation. Due to the restrictive and stagnating business environment in Belarus in FY 2000, the project concentrated on offering educational and informational programs and activities to help develop leadership and managerial skills of women in NGOs. A team of experienced Belarusian trainers conducted training sessions for 24 groups of women, upon the completion of which 10 community action micro-projects were funded to help the women become involved in community activities in which they could apply their newly acquired knowledge in a practical setting.

USAID Support for Agribusiness Development: In FY 2000, the Citizens' Network for Foreign Affairs (CNFA) initiated a USAID-funded agribusiness volunteer program geared towards helping Belarusian private farmers and agribusiness entrepreneurs to overcome their country's adverse economic conditions and become role models for other entrepreneurs. CNFA worked towards this goal by strengthening the organizational capacity of the Belarusian Farmers' Union and its regional affiliates, supporting the development of grassroots private farmers, and linking promising private farmers with Western agribusinesses. CNFA organized a series of

workshops on development of private farmers' cooperatives and brought in three U.S. volunteers to provide technical assistance to Belarusian private farmers.

Western NIS Enterprise Fund (WNISEF): WNISEF runs a small and medium-sized enterprise (SME) credit and capital investment program in Ukraine, Moldova and Belarus. However, because of the restrictive environment for private SMEs in Belarus, WNISEF did not have any active credit and investment projects in Belarus in FY 2000. WNISEF's representative office monitored the regulatory framework for private economic activities in Belarus, as well as the country's general economic situation.

Social-Sector and Humanitarian Assistance Programs

USAID Health Partnerships: USAID-funded health partnerships implemented by the American International Health Alliance (AIHA) were directed at community-based health promotion to encourage citizens to become more actively engaged in their own health and health-care decisions. As a result of partnerships between Belarusian hospitals and polyclinics and two U.S. health institutions—the New Jersey-based Robert Wood Johnson Health Center and the University of Massachusetts-Worcester Medical School—several new facilities were opened during FY 2000. An Emergency Medical Service (EMS) Training Center was opened in Minsk in February 2000. The Center is fully equipped with state-of-the-art multimedia instructional resources and EMS training equipment. Six specialists from the newly opened Center received advanced EMS training and participated in a train-the-trainer course at the University of Massachusetts Medical School. In April 2000, a Women's Wellness Center was opened in Mozyr, Gomel *Oblast* (Region). In addition to primary health-care services, the Center supports educational programs focused on reproductive health, health promotion and disease prevention, and a range of women's health issues. In addition, a Cardiovascular Disease Prevention Wellness Center was opened in Minsk in October 2000, with an associated Resource Learning Center, which links Belarusian medical professionals with their counterparts all around the world through the Internet. In all, these partnerships sponsored seven exchange visits between the United States and Belarus in FY 2000. The Belarusian authorities provided in-kind contributions such as facilities, renovations and salaries to all of the partnership projects.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS transported approximately \$14.72 million in privately donated and U.S. Defense Department excess humanitarian commodities to Belarus at a cost of approximately \$620,000 to the U.S. Government. The primary U.S. private voluntary organization (PVO) involved in this effort was CitiHope.

Counterpart Humanitarian Assistance Program: With USAID support, the Counterpart Humanitarian Assistance Program (CHAP) delivered and distributed \$2.8 million in humanitarian commodities to Belarusian NGOs—the equivalent of over 18 forty-foot containers. In FY 2000, CHAP coordinated its efforts with Counterpart's NGO Development Program and worked more closely with Belarusian NGOs to provide commodities that enhanced the effectiveness and visibility of the community-focused projects being implemented by these NGOs. CHAP's new approach helped Belarusian NGOs play a more important role in such areas as social services, humanitarian relief and health, especially in Belarus's rural areas.

Security Programs

As it has for the past several years, Belarus remained ineligible to receive U.S. Government-funded security-related assistance in FY 2000. Beginning in February 1997, the President of the United States de-certified Belarus under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program due to its poor record on human rights, resulting in the suspension and reallocation to other countries of unobligated CTR funds originally intended for Belarus.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2000, due to an ongoing investigation of alleged improper handling of grant funds at its Regional Office in Kiev, Ukraine, the Eurasia Foundation made no new grants in Belarus.

Preview of FY 2001 Programs

The U.S. Embassy in Minsk is conducting a thorough policy review to maximize the impact of the U.S. Government's democratic and economic reform programs in Belarus, and is enhancing coordination with other donors. In FY 2001, the U.S. Government will focus on providing assistance in support of a free, fair and democratic presidential election process, including increased access to information through independent media, as well as legal defense networks. In addition, USAID will expand its NGO development activities to help environmental NGOs build public awareness about environmental issues. Projects will focus on NGO development and sustainability, work with the media, environmental education and environmental law.

GEORGIA

Political and Economic Overview

The civil war and separatist conflicts that broke out after Georgia's 1991 declaration of independence and resulted in the Georgian Government's loss of control over Abkhazia and the Tskhinvali region (South Ossetia) remained unresolved in FY 2000. Largely because of these two unresolved conflicts, Georgia's 1995 constitution is silent on the question of local and regional governments' administrative structure and relations to the central government. The central government's authority is also limited in the autonomous, but not separatist, region of Ajara. The April 2000 presidential election was marred by irregularities, according to international observers. Local elections, which were held for the first time in 1998, are scheduled again for fall 2001. Georgia has made significant progress in passing democratic reform-oriented legislation, but implementation has been slow. The country still has serious human rights problems, especially police misconduct and harassment of non-traditional religious groups. However, despite these continuing problems, Georgia enjoys a lively free press, and its laws are among the region's most compliant with Council of Europe (COE) and World Trade Organization (WTO) norms. Although public cynicism, apathy and disillusionment with the rhetoric of democratic reform are widespread, public debate on the issues of corruption, human rights and democracy is spirited.

Agriculture accounts for some 30 percent of Georgia's GDP, and key exports include scrap metal, manganese, wine, bottled mineral water and agricultural products. However, living standards have declined sharply in Georgia since the country gained its independence, and this past year was no exception, despite a small upturn in GDP during calendar year 2000. Estimates of Georgia's per capita GDP in 1999 ranged from \$500 to \$600. Eastern Georgia suffered a severe drought in 2000. Nevertheless, the Georgian Government's monetary policy continued to be tight and the exchange rate for Georgia's national currency, the lari, continued to be stable. However, Georgia experienced a growing fiscal deficit, as revenue collection continued to be very slow.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$149.56 million in assistance to Georgia, including \$108.64 million in FREEDOM Support Act assistance, \$15.33 million in other U.S. Government assistance, and \$25.59 million in U.S. Defense Department excess and privately donated humanitarian commodities. Included in the overall U.S. Government contribution was 35,000 metric tons of wheat provided by the U.S. Department of Agriculture (USDA) to the Government of Georgia under USDA's Section 416(b) Program. U.S. Government-funded assistance programs supported economic restructuring, energy-sector reform, democracy-building, the enhancement of Georgia's capability to control its borders and the creation of a military that can meet Georgia's security needs. In FY 2000, the U.S. and Georgian Governments agreed to a Four-Point Program to help concentrate resources and attention on key economic and government reform priorities. The Four-Point Program, which is a successor to the successful Five-Point Program initiated in FY 1999, stresses anti-corruption efforts, tax and revenue enhancement, budgetary reform, and civil service reform.

Security and Regional Stability Programs

Border Security and Law Enforcement (BSLE) Assistance Program: The BSLE Program is the largest single U.S. Government-funded assistance program in Georgia. In FY 2000, assistance provided under this program totaled \$20 million. The outbreak of new hostilities in neighboring Chechnya, and the continuing threat that one or both of the warring sides would conduct operations on the Georgian side of the border, made the

BSLE Program even more vital to Georgia's sovereignty and territorial integrity in FY 2000. U.S. Government-funded assistance is crucial to the Georgian Border Guards' ability to control Georgia's borders, deter cross-border operations by either warring side and to cooperate with OSCE border monitors. BSLE-supplied radios, remote sensors, winter uniforms, arctic tents and heaters, as well as logistical support for helicopter patrols, have enabled the Georgian Border Guards to maintain an active presence on the Georgian-Russian border. BSLE assistance to Georgia's Border Guards in FY 2000 included: two Mi-8 border patrol helicopters, one fixed-wing aircraft, uniforms, patrol vehicles, bullet-proof vests, and radio communications equipment for border-control uses that will be installed along Georgia's borders in phases over the next two to three years. Georgia's Coast Guard, which is a part of the Border Guard Service, received BSLE-funded generators and supplies, uniforms, ship repair and maintenance services, and language training. In addition, the U.S. Coast Guard (USCG) provided two full-time USCG advisors who trained their counterparts in port security operations and vessel boarding. Also under the BSLE Program, the U.S. Customs Service and the U.S. Drug Enforcement Administration (DEA) trained the Georgian Customs Department and the Border Guards on how to identify narcotics and test suspicious materials using drug test kits provided by the U.S. Government. The U.S. Government provided the Georgian Customs Department with new uniforms, contraband enforcement training, training on how to detect smuggled materials or weapons of mass destruction, and surveillance equipment that will allow the Customs Department to monitor cargo going in or out of Georgia through the Red Bridge border crossing with Azerbaijan and the Port of Poti. The U.S. Coast Guard also trained the Georgian Border Guards on the use of the U.S. Government-funded radar system installed at Supsa, which is now alerting Georgian authorities of any ships entering restricted areas and of any potential threats to the flow of oil. In addition to the above-mentioned BSLE programs, the U.S. Embassy's Public Affairs Section collaborated with the International Organization for Migration (IOM) to develop an International Visitor (IV) program for six members of the Georgian Border Guard's Immigration Department. (See also BSLE section under Security Programs in Part III of this report.)

Georgia Military Relocation: At the Istanbul OSCE Summit in November 1999, Russia and Georgia agreed to a series of steps that were subsequently incorporated into the Final Act of the Conventional Forces in Europe (CFE) Treaty. In the Final Act, Russia committed to reduce the levels of its treaty-limited equipment (TLE) in Georgia to much lower specified levels, and to withdraw all TLE from three politically sensitive facilities by no later than December 31, 2000. Russia also agreed to disband and withdraw two of its bases in Georgia (Gudauta in separatist Abkhazia, and Vaziani near the capital) by July 1, 2001. In addition, both Georgia and Russia agreed to complete negotiations regarding the status and duration of remaining Russian bases (Batumi and Akhalkalaki) during the year 2000. In FY 2000, the U.S. Government committed up to \$10 million to facilitate the withdrawal of Russian forces from Georgia. The final stage of TLE withdrawal occurred in early December 2000 from the Gudauta base in Abkhazia. This completed Phase I of the withdrawal schedule as agreed by the Russians and Georgians. In all, the Russians withdrew 35 tanks, 313 armored combat vehicles (ACVs), and 27 artillery pieces, and destroyed 24 tanks, 90 ACVs and two artillery pieces, fulfilling the first phase of the Georgian-Russian agreement reached in Istanbul. In concrete terms, this means over one half of the Russian TLE that was on Georgian territory a year ago, at the time of the Istanbul OSCE Summit, has now been withdrawn or destroyed. With the exception of the withdrawal of 76 ACVs from Georgia to Armenia, all equipment withdrawal and destruction was observed by U.S.-led multinational teams, which was a prerequisite for potential U.S. Government reimbursement of certain withdrawal and destruction costs. U.S. Government reimbursement will be provided under the Military Relocation Program based on validated costs, once Russia formally accepts the U.S. Implementation Proposal for Reimbursement Arrangements and affirms by diplomatic note that this assistance is covered under the U.S.-Russia 1992 Umbrella Assistance Agreement. (The U.S. Government indicated to the Russian Government that while it would reimburse costs associated with withdrawal of military equipment to Russia, it would not do so for relocation of such equipment to Armenia.) Negotiations continue on commitments regarding the details of the future of the Russian bases at Gudauta and Vaziani and the duration of the Russian military presence at the remaining bases in Batumi and Akhalkalaki.

International Science and Technology Center (ISTC): Georgia is an active member of the multilateral International Science and Technology Center (ISTC) in Moscow, and a number of former Soviet weapons scientists in Georgia are working on ISTC-supported peaceful civilian research projects funded with U.S. Government contributions. Projects have been funded with scientists at the Georgian Technical University, the Institute of Cybernetics, the Institute of Stable Isotopes, the Republican Center of Environmental Monitoring, the State Institute of Economic Relations and Tbilisi State University.

Foreign Military Financing (FMF) / International Military Education and Training (IMET): In FY 2000, Georgia received \$3.0 million in security assistance under the FMF Program, which was used to purchase communications, individual and other equipment that will increase the capability of Georgian military forces to participate in NATO Partnership for Peace (PFP) activities. Georgia also received \$415,000 in IMET assistance to send members of the Georgian military to military training courses, professional military education, English language training, and courses in civil-military relations. Georgian pilots and maintenance technicians continue to receive English language training and specialty training in the United States to help them operate and maintain the six UH-1H aircraft that the U.S. Government anticipates delivering to Georgia in summer 2001.

NATO Tour: In FY 2000, the U.S. Embassy's Public Affairs Section organized another NATO tour for seven Georgian Government officials. This was the fourth such tour, bringing the total number of Georgian Government officials and journalists having participated in such programs to 30. The FY 2000 tour took the Georgian participants to NATO and SHAPE headquarters in Brussels, the International War Crimes Tribunal in the Hague, and the AWACS base in Geilenkirchen, Germany. The participants held frank discussions on Georgia's future participation in Partnership for Peace (PFP) and NATO projects.

Exchanges, Training and Partnership Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 2,500 Georgian citizens to the United States for short-term professional or long-term academic training, including some 630 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2000, approximately 360 Georgians traveled to the United States on professional and academic exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA).

- **Professional Exchange Programs:** Since beginning operations in Georgia in 1997, the Community Connections Program has sent approximately 300 Georgians to the United States for short-term, community-based internships. The 90 Georgian participants sent in FY 2000 included 50 entrepreneurs and 40 locally elected officials whose program focused on budget and financial issues. The Public Affairs Section also sent over 40 Georgians to the United States through International Visitor (IV) programs focusing on a variety of topics in support of the bilateral Four-Point Program described above. For example, the Public Affairs Section sent two participants to the United States on an IV program focusing on grassroots democracy that gave them a better understanding of the U.S. democratic form of government and of citizen involvement in governance. One of the two participants was the Governor of Signagi, a region in eastern Georgia, who subsequently published articles in the local newspaper about his trip and his impressions of the United States. He is currently working with a municipal development center to analyze the local budget and to create reform plans for the development of his region. The Public Affairs Section also sent the Deputy Chairman of Georgia's State Television and Radio Corporation on an IV program focusing on the U.S. presidential election. Upon her return, she incorporated the information gathered from the trip in a series of segments to be aired on her highly rated Sunday afternoon news/talk show.
- **Academic Exchange Programs:** A total of 50 Georgian high school students studied in U.S. high schools under the Future Leaders' Exchange (FLEX) Program, including two students from Abkhazia. In addition, ten students and two instructors from Batumi and ten students and two instructors from the United States participated in the Secondary School Exchange Program, which focused mainly on Georgia's regions and included two secondary schools from Batumi. A total of 31 students attended U.S. universities under the FREEDOM Support Act (FSA) Undergraduate Exchange Program, and 29 graduate students traveled to the United States for one to two-year masters' and non-degree programs under the Muskie/FSA Graduate Fellowship Program. Several Muskie Program alumni currently hold influential positions in the Georgian Government, including the positions of Minister of Justice, Deputy Minister of Foreign Affairs, Deputy Minister of State Security, and Advisor to the Minister of State Security. In the area of faculty development and scholarly research, the Public Affairs Section sent 15 Georgians to the United States to strengthen ties with U.S. universities under several different programs. Three Georgian faculty members studied economics, linguistics and psychology under the Junior Faculty Development Program, which was expanded to include Georgia in FY 2000, and 11 Georgians conducted research under the Regional Scholars and Contemporary Issues Programs in the areas of journalism, public policy, economics, sociology

and city planning/urban studies. In addition, three Fulbright Scholars from Georgia spent ten months in U.S. universities studying conflict resolution, education, labor markets in transitional economies, and the Eurasian transport corridor.

U.S. Department of State – Public Diplomacy Partnerships: The U.S. Embassy's Public Affairs Section continued to help the Georgian Institute of Public Administration (GIPA) by supporting GIPA's partnership with the U.S.-based National Association of Public Administration (NAPA) and by helping GIPA cover its local administrative costs. In FY 2000, GIPA implemented comprehensive administrative changes that led to the election of a strong board of directors and a new provost. The Public Affairs Section also continued to support the Caucasus School of Business through a three-year university partnership grant between a consortium of local Georgian institutions and their U.S. partner, Georgia State University. The Caucasus School of Business also recently underwent administrative restructuring and hired a new dean, as a result of which enrollment is up by 60 percent, encouraging the School to plan for an expansion of its programs.

USAID Training Programs: In FY 2000, over 2,800 Georgians participated in USAID-funded training programs in the areas of humanitarian assistance and social transition, economic restructuring, democracy and governance, and energy and environment. Of this total, approximately 2,400 participated in Georgia-based training programs, 240 in U.S.-based programs and 240 in third-country programs.

U.S. Department of Commerce (DOC) – Special American Business Internship Training (SABIT) Program: A total of 17 Georgians participated in the Commerce Department's SABIT program in FY 2000. (Please see U.S. Department of Commerce – SABIT Program section in Part III of this report.)

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: A total of 18 Georgians participated in seven different training programs under the Cochran Fellowship Program in FY 2000. (Please see U.S. Department of Agriculture – Cochran Fellowship Program section in Part III of this report.)

U.S. Department of State – Georgian-Abkhaz Teachers' Conference: The U.S. Embassy's Public Affairs Section organized a conference in Adler, Russia, for English-language teachers from Abkhazia and the rest of Georgia. The conference gave the Georgian and Abkhaz teachers an opportunity to meet in a neutral setting to pursue a common goal. The teachers discussed new methods of teaching and participated in joint cultural activities. Another such conference is planned for FY 2001.

Economic Restructuring Programs

U.S. Department of the Treasury – Technical Advisors: In FY 2000, the Treasury Department placed three advisors with the Government of Georgia in the areas of budget policy and management, governmental internal controls, and tax policy and administration. The advisors worked to strengthen the capacity of their Georgian counterparts on government finance issues, including budgeting, revenue collection and organizational reform.

USAID Comprehensive Market Reform Program (CMRP): The CMRP consists of five components: (1) tax and fiscal reform activities to support the establishment of a modern and transparent tax administration; (2) support for land privatization; (3) support for the privatization of enterprises and telecommunications; (4) accounting reform activities; and (5) capital market infrastructure development activities. Together, these programs are designed to create the macro-economic conditions necessary to revitalize Georgia's economy.

- **Tax and Fiscal Reform Program:** The main focus of this program is the reorganization of the Tax Department within Georgia's newly established Ministry of Revenue. Implementation of this reform effort, which coincided with the formation of the Ministry in January 2000, calls for restructuring the Tax Department, downsizing its staff, paying them a living wage, training them, and putting into place a computerized management information system. The first round of qualification exams for the Department's employees was completed in August 2000. Once a professional staff is in place, USAID will begin a comprehensive training program, the installation of a tax administration computer system, and the drafting of a taxpayers' charter that clarifies the rights and responsibilities of Georgia's taxpayers.
- **Land Privatization Program:** In FY 2000, USAID provided technical assistance to a landowners' rights association that worked with the Georgian Government to accelerate land privatization. The association's leader was later elected to parliament, and is now actively promoting land privatization and other

privatization measures in parliament. Also with USAID support, a legal team was established in the Georgian Parliament to advise members on key issues related to land markets. Analyses carried out by the team, as well as the activities of various citizens' groups, were instrumental in establishing the legal framework necessary for the privatization of commercial and agricultural land in Georgia. USAID technical assistance also supported surveying, registering and titling of commercial and agricultural land, and has resulted in more than 6,500 enterprises gaining ownership of their land. There are now more than one million holders of agricultural land titles in Georgia whose parcels were surveyed, registered and awarded through USAID's program. The direct impact of these activities is visible in the land market that has emerged in Georgia in FY 2000, with a growing number of secondary transactions, including 1,153 registered parcel sales and 25 registered leases. The Land Privatization Program will continue until the target total of three million land titles has been reached. Starting in FY 2001, the program will take a new direction by relying on the landowners' rights association and other Georgian institutions that have benefited from USAID's capacity-building efforts to take on more responsibility for implementing the program.

- **Enterprise and Telecommunications Privatization Assistance:** In FY 2000, USAID provided assistance to the Ministry of State Property Management (MSPM) to meet conditionality targets for the release of the next funding tranche under Georgia's World Bank structural adjustment credit (SAC III), while simultaneously supporting the pre-privatization restructuring of certain state-owned companies. This activity supports two objectives: speeding up privatization and, to the extent possible, making troubled firms viable again. This activity has helped the MSPM improve the quality of its tenders through better preparation of offering materials and better investor searches. The activity also aims to facilitate successful privatization by supporting good governance and improved financial intermediation. In July 2000, USAID responded to the appointment of a Telecommunications Commission by providing a team of advisors to help develop the new commission's regulatory policy and operational capacity. These advisors, in close coordination with a team of European Bank for Reconstruction and Development (EBRD) legal advisors, will draft amendments on licensing, tariffs, interconnectivity and universal service. As a result of this activity, the Georgian Government is expected to privatize the country's local and international telecommunications services in FY 2001.
- **Accounting Reform Programs:** In FY 2000, USAID technical assistance continued to support the conversion of Georgia's accounting infrastructure from Soviet accounting standards to International Accounting Standards (IAS). In addition to supporting a curriculum reform and training program run by the Association of Certified Charter Accountants (ACCA), USAID has facilitated the establishment of a legal and regulatory framework, an indigenous audit and accounting association with a charter and accompanying legal authority to function as a self-regulatory organization (SRO), and two oversight bodies that will have authority over the accounting profession—the Chamber of Control and the National Securities Commission. The Georgian Federation of Professional Accountants and Auditors (GFPAA) is one of only two SROs in the NIS region to be accepted as full members to the International Federation of Accountants and Auditors (IFAC). A total of 125 accountants and auditors are currently enrolled in the GFPAA's fourteen-section English-language ACCA program. The GFPAA and its members will lead the nation in the conversion of both financial and managerial accounting in industries and businesses throughout Georgia.
- **Capital Market Development Program:** In FY 2000, USAID assistance provided essential support to Georgia's capital market infrastructure, including the National Securities Commission, the Georgian Stock Exchange (GSE), a depository, eight independent share registrars licensed by the Commission, and 34 licensed brokerage companies. With USAID support, Georgia's mass privatization program has created 360 private enterprises with 100 shareholders or more, which are eligible for listing on the GSE. More than 210 of these 360 enterprises are listed for trading. In order to comply with Western standards, the five-member Securities Commission includes two foreign commissioners, who are senior capital market specialists provided through a USAID grant to the World Bank.

USAID Banking Supervision Reform Program: Since the beginning of FY 2000, USAID, in collaboration with the International Monetary Fund (IMF), has provided technical assistance to the Bank Supervision Department of the National Bank of Georgia (NBG). In July 2000, this regulatory advice resulted in the adoption of a new set of banking regulations consistent with international standards. These regulations will give the NBG's Bank Supervision Department the enforcement powers needed to act aggressively against banks that are not in compliance with Georgia's banking statutes. USAID also helped the NBG prepare for conversion to IAS. Georgia's commercial banks are scheduled to begin the conversion process in January 2001.

USAID Assistance to Farmers and Agribusinesses: In an effort to assist Georgian farmers and agribusinesses, USAID supported a seed-enterprise enhancement and development activity having two key components. First, a functioning seed production system was created with the establishment of a private seed company—Horizon, Limited—which is the only company supplying quality seed certified by the Georgian Government. Enlisted by the U.S. Government to provide humanitarian assistance in fall 2000, Horizon was the only company within Georgia able to provide 140 metric tons of certified, quality wheat seed as part of the U.S. Government-funded drought relief effort. The activity's second component was the creation of six regional credit associations designed to address the demand for rural credit. By pooling resources and avoiding unaffordably high bank interest rates, the credit association system saw the number of its active clients double in FY 2000. Reorganized and registered as the National Rural Credit Network, these associations served approximately 1,200 small and medium-sized Georgian agricultural producers and agribusinesses in FY 2000, with a portfolio of 322 loans totaling over \$1.05 million.

USAID Assistance to Small and Medium-Sized Enterprises (SMEs): In FY 2000, USAID initiated the Georgia Enterprise Support Program (GESP), which provides support to business-service providers and business associations, addresses legal and regulatory impediments to enterprise development, and helps enterprises access credit. GESP focuses technical support on the development of Georgia's SME sector in the regions outside of Tbilisi. Through its Caucasus SME Finance Program, USAID provided technical assistance and training to three Georgian commercial banks—TBC Bank, Tbilcombank, and the Bank of Georgia—in order to better meet SMEs' demand for credit nationwide. USAID also supported the introduction of new financial products for SMEs through the three Georgian partner banks, including a loan that supports the growth of micro-enterprises to the SME level of operation, and real estate-based lending products for commercial entities and households. In addition, USAID facilitated various training opportunities for loan officers, credit committee members and real estate valuers. As a result of these activities, over \$5 million in loans has been disbursed to over 260 Georgian SMEs, with \$3.5 million of that total disbursed to 210 SMEs in FY 2000 alone. In order to increase private-sector capacity in Georgia, USAID partnered with Citizens' Democracy Corps (CDC) to implement a program of consulting and technical assistance for Georgian SMEs. A total of 32 CDC business volunteers, primarily retired U.S. business executives, provided assistance to 91 SMEs and ten business support organizations.

USAID Assistance to Micro-Enterprises: In FY 2000, USAID increased access to credit for Georgian micro-entrepreneurs by providing technical assistance to the Georgian micro-finance institution Constanta Foundation, and continued to support the micro-finance activities of the Foundation for International Community Assistance (FINCA), which have benefited a total of 16,000 borrowers, approximately 85 percent of whom are women. In support of USAID's goal to direct more assistance to the regions of Georgia, the Constanta Foundation opened two branch offices in FY 2000 in regions where there are virtually no other commercial sources of micro-credit.

U.S. Department of State – Business and Economic Development Exchange Programs: As noted above, the Community Connections Program offers three-to-five week specialized internships in the United States for Georgian entrepreneurs and business professionals. In FY 2000, fifty Georgian entrepreneurs participated in Community Connections. One former Community Connections participant was subsequently appointed deputy director of Georgia's Department of Communications. Also as a result of the program, a joint venture between a U.S. firm and a Georgian winery was established, and is projecting sales in excess of three million bottles of wine a year starting in 2002. Another business partnership facilitated by the Community Connections Program is producing yogurt and cheese at a factory in eastern Georgia, and its products are being sold in six major supermarkets in Tbilisi. In addition, the U.S. Embassy's Public Affairs Section organized an International Visitor (IV) program to provide participants from the Georgian Parliament and Ministry of Finance with practical training on how budgets are made, forecast and analyzed, and how spending authorities are devolved in systems that are not centralized. These training programs were designed in cooperation with the U.S. Treasury Department's resident budget advisor and a USAID-funded advisor working on budget reform. A total of 40 Georgians participated in the training, which helped them in their subsequent efforts to reorganize the Ministry of Finance, make the budget process more transparent and budget estimates more realistic, and manage the devolution of spending authorities. To complement these efforts, the U.S. Embassy's Democracy Commission awarded a \$9,000 grant to the Business Law Center, a Georgian NGO, to prepare and disseminate two types of business development information: a 100-page document on legislation enacted by the Georgian Parliament was distributed to twelve regional anti-monopoly services, and a semi-monthly bulletin containing legislation and discussion of laws affecting the economy was sent to courts in sixty regions throughout Georgia. This project,

which aims to assist regional business development by reducing information gaps on new laws and regulations, has already prevented a mistake in one regional court by providing it with the latest information on bankruptcy laws.

Trade and Investment Programs

In FY 2000, the U.S. Government continued to work with the Georgian Government to help develop a legal and regulatory environment conducive to free trade and investment. In October 1999, the World Trade Organization's (WTO) General Council approved Georgia's membership in the WTO, and in April 2000, the Georgian Parliament ratified Georgia's WTO accession documents. Georgia's accession to the WTO will help it become more integrated into the world trading system by facilitating needed reforms in Georgia's overall trade regime, promoting increased trade and investment, and strengthening the country's private sector. In support of these objectives, the U.S. Embassy's Public Affairs Section sponsored the participation of a Georgian participant in a multi-region International Visitor (IV) program focusing on agriculture in the world economy. The program was designed to provide an understanding of the political and economic dynamics that affect U.S. agricultural trade policy and the U.S. role in international agricultural and trade agreements. The Georgian participant subsequently became chairman of the Parliament's Committee on Economic Reforms.

Democratic Reform Programs

Anti-Corruption Assistance: Anti-corruption efforts carried out by the U.S. Department of Justice and USAID continued to be a central element of U.S. Government-funded assistance to Georgia in FY 2000. The joint U.S.-Georgian working group established under the bilateral Four-Point Program to address the battle against corruption continued to make recommendations and press for their implementation—most notably, that the Georgian Government create a nonpartisan commission of notable individuals to formulate a comprehensive agenda for combating corruption and generate public support and legitimacy for the program. After two years of close cooperation with the U.S. Department of Justice (DOJ) Resident Legal Advisor (RLA), President Shevardnadze created an Anti-Corruption Commission in July 2000. DOJ subsequently supported the work of the Commission, beginning with renovation of the Commission's office space, purchase of computer equipment and furniture for the Commission's work, and the awarding of a grant to the Georgian branch of the anti-corruption NGO Transparency International to provide administrative support to the Commission. USAID funded a public education campaign, including an anti-corruption conference held in November 2000. In 2001, DOJ and USAID will provide technical assistance and training to the Commission as it takes on its planned monitoring functions, and will continue to support the Commission's public education efforts.

U.S. Department of Justice (DOJ)/U.S. Department of State – Law Enforcement Training: The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) provided funding to DOJ for a Resident Legal Advisor (RLA) to develop and implement INL programs. The RLA has conducted seminars on combating corruption, money laundering, transnational organized crime, terrorism, tax and customs fraud, narcotics trafficking, ethics in government and trial advocacy and negotiation skills. In FY 2000, over 240 Georgians participated in DOJ-sponsored law enforcement training conferences and seminars, 50 at the International Law Enforcement Academy (ILEA) in Budapest, Hungary and the rest in Georgia. DOJ sponsored training for Georgian prosecutors, investigators, judges, members of parliament and policy-makers on various law enforcement-related subjects, including transnational organized crime, money laundering, corruption, terrorism, criminal procedure, criminal trial skills, the grand jury system, and the role of the prosecutor in a democratic society. This training included a U.S. Drug Enforcement Administration (DEA) seminar held in Tbilisi. DOJ subsequently organized inter-agency working groups consisting of Georgians who attended these training sessions. These working groups prepared reports, recommendations, and draft legislation concerning several of the topics listed above.

DOJ Procuracy Reform Program: In FY 2000, DOJ sponsored a series of assessments, public meetings and training conferences for prosecutors, members of parliament, judges, defense lawyers, human-rights advocates, and journalists on various topics relating to procuracy reform, including prosecutor ethics, internal controls, independent oversight, and qualifications exams. In March 2000, a high-level assessment team visited Georgia to discuss the establishment of an office of inspector general within the Procuracy and to develop a code of ethics for prosecutors. Following issuance of the assessment team's report, the Procuracy strengthened its internal control office and adopted a code of ethics for prosecutors; however, these measures fell far short of the

team's most important recommendations, and the Georgian Government has not vigorously supported other procuracy reform initiatives.

DOJ Ethics Code Initiative: In FY 2000, DOJ sponsored a week-long conference on creating an executive branch ethics code for Georgia. Experts from DOJ and the U.S. Office of Government Ethics met with Georgian Government officials and NGOs to discuss U.S. experience with ethics codes, and successfully coordinated the writing of a draft ethics code. However, the Georgian Government has not yet enacted a comprehensive code of ethics for the executive branch.

DOJ / ABA/CEELI Criminal Law Liaison: In FY 2000, DOJ initiated a long-term program to support the implementation of Georgia's new criminal procedure code passed in June 2000. An ABA/CEELI Criminal Law Liaison is based in Tbilisi to provide advice and training to the Government of Georgia as they implement this new code.

DOJ/U.S. Department of the Treasury – Support for Georgia's Chamber of Control: In FY 2000, DOJ sponsored a week-long assessment of Georgia's Chamber of Control (COC), which is the Georgian Government's general accounting agency. The assessment was conducted by U.S. and Georgian experts, who formulated recommendations to enhance the COC's ability to promote budgetary transparency, control expenditures, and reduce opportunities for corruption. Following the assessment team's visit, the U.S. Embassy and the Georgian Government jointly established a Budgetary Improvement and Expenditure Control Working Group, which issued a comprehensive report containing numerous recommendations. In FY 2001, DOJ and the Treasury Department will help the COC implement its plans to conduct qualification examinations for COC employees. DOJ will also provide training in financial investigations to the COC, as will the DOJ-funded ABA/CEELI Criminal Law Liaison in Tbilisi.

USAID Judicial Reform Programs: With USAID support through ABA/CEELI, Georgia's Council of Justice administered two judicial qualification examinations in FY 2000. In order to pass the exam, the candidates had to demonstrate a thorough knowledge and understanding of the new judicial reform laws. Thirty-five of the 516 candidates passed the exam in FY 2000. Since May 1998, the Council of Justice has administered seven exams, as a result of which there are now 264 newly qualified judges on the bench in courtrooms across Georgia. The implementation of a merit-based system for selecting judges represents a major achievement for judicial independence in Georgia. The most recent exams were prepared and printed in Georgia by the Council of Justice itself, reflecting USAID's strategy to strengthen local institutions so that they can take on the task of advancing reforms on their own. Georgia's Law on Common Courts mandates the establishment of a Conference of Judges, an association of judges that meets on a semi-annual basis. The Conference convened for the first time in June 2000, at which time judges from the regions and Tbilisi established a Court Administration Committee and a Judicial Discipline Committee. The convening of the Conference, which was planned and sponsored by Georgia's progressive Supreme Court, marks an important milestone in judicial reform in Georgia, as the extent to which a judiciary administers and disciplines itself is an important indicator of judicial independence. USAID provided extensive technical assistance and resources to the Georgian Supreme Court's efforts to plan and sponsor the meeting. At its next meeting in 2001, the Conference will take up the issue of passing a judicial ethics code. USAID through ABA/CEELI also helped establish a private, voluntary judges' association, the Judges of Georgia (JOG), which began providing services to its members. JOG serves as an advocacy organization for judges and works to build a strong constituency across the country for judicial reform. To ensure its self-sustainability, JOG collects dues from its members. In FY 2000, the JOG worked to draw attention to the need for the Georgian Government to pay judges an adequate salary in a timely manner, as the government's frequent delays in paying judges seriously endanger judicial reform and the gains made to date.

USAID Legal Reform Programs: In FY 2000, USAID supported efforts to draft both the Law on the Bar and the Judicial Disciplinary Law, as well as amendments to the Bankruptcy Law, General Administrative Code, Criminal Code, and Criminal Procedure Code. In addition, USAID's Parliamentary Development Program strengthened the capacity of parliamentary committees, factions, and departments; promoted public input in lawmaking; and provided support for strengthened parliamentary oversight of the executive branch, thus helping to ensure effective implementation of laws. A frequent complaint of legal professionals in Georgia had been that they lacked access to laws. To help address this problem, USAID helped set up a management information system with an electronic database of over 500 Georgian laws that is now operational in the Georgian Parliament and is open to the public. In FY 2000, USAID also devoted significant resources to help amend and

implement Georgia's General Administrative Code, which includes a Freedom of Information Act and which went into effect on January 1, 2000. USAID provided technical assistance and training, and implemented a public awareness campaign and an NGO grant program to enhance transparency and accountability of local governments. Also with USAID assistance, an Administrative Code Consultative Board was established in December 1999. The Board, which is chaired by the State Minister and includes representatives from government, the media, and NGOs, provides guidance for implementing the Administrative Code and has placed a special emphasis on the Freedom of Information Act section of the Code. A recurrent theme of the report prepared by the Georgian Anti-Corruption Commission in late FY 2000 was the necessity for transparency and accountability in government. The Administrative Code affords an excellent legal mechanism to achieve these objectives and provides the public a point of entry into the government's decision-making process.

USAID Support for the Legal Profession: USAID has fostered the emergence and strengthening of the Georgian Young Lawyers' Association (GYLA), which enhances legal professionalism and provides effective legal training. USAID-supported local NGOs, such as Article 42 and the Center for the Protection of Constitutional Rights, operate legal clinics that provide legal aid and offer practical experience for law students. These NGOs trained law students and young attorneys who handled a total of over 100 cases in FY 2000. In addition, a coalition of private lawyers, members of parliament, NGOs, and professional associations has received USAID assistance to develop a progressive Law on the Bar, which the Georgian Parliament is to consider in 2001. Building on the successful experience of the judicial qualification exam, the Law on the Bar would mandate a qualification exam for attorneys and provide for attorney discipline. A mandatory bar exam would put pressure on law schools to provide quality legal education. Assistance to prepare and implement a judicial disciplinary law and a judicial code of ethics were also important components of USAID's rule-of-law and anti-corruption strategy. In spring 2001, USAID will begin a major new rule-of-law program.

Democracy Commission Small Grants Program: In FY 2000, the U.S. Embassy's Democracy Commission awarded 23 small grants totaling almost \$250,000 to Georgian NGOs in support of regional development, local government training, and mass media. Highlights of FY 2000 Democracy Commission grants included a \$9,600 grant given to the NGO "The 42nd Article of the Constitution" to conduct a project supporting judicial reform and offering free advocacy consulting services for the disadvantaged population of eastern Georgia, and a \$9,850 grant to the International Center for Civic Culture to organize a training program in anti-corruption practices for local governments in four Georgian cities.

USAID Election-Related Assistance: USAID provided extensive support for free and fair elections for both the October 1999 parliamentary elections and the April 2000 presidential election, providing training to the national and district-level electoral commissions, and facilitating the development of political parties, independent media and the voter education. With USAID support, a press center was set up to provide full and updated election information to the press on election day, and over 2,000 domestic election monitors were trained and deployed during both elections. USAID also supported a "rock the vote" campaign held throughout the country to increase the awareness and participation of young people in the election process. One outcome of USAID's support to the Central Election Commission (CEC) was the setting up of a website (<http://www.cec.gov.ge>) that posted information on the candidates, regulations and normative acts, election laws and updated election results. After the April 2000 presidential election, for the first time in Georgia, the precinct-level election records were posted on the Internet on the CEC's website. More than 25,000 people had visited the website as of August 2000. Although both the parliamentary and presidential elections were marred by irregularities, USAID assistance promoted transparency in election administration and helped Georgian citizens to make better-informed decisions. The U.S. Embassy is currently developing a strategy to help promote greater transparency and fairness in the local elections scheduled for November 2001.

USAID Programs to Promote Citizen Participation: In FY 2000, USAID assistance focused on promoting partnerships among South Caucasus NGOs, with members collaborating on areas of mutual concern throughout the region, thereby paving the way for increased future cooperation. One outcome was the launch of a weekly radio talk show for South Caucasus listeners that covers region-wide issues such as corruption, freedom of the press, taxation systems, military service, women's rights and prisoners' rights. Promoting citizen advocacy has been one of the hallmarks of USAID assistance to Georgia. In twelve districts throughout Georgia, USAID helped citizen advisory councils organize town meetings with local government officials. As a result of the efforts of the Tbilisi Citizen Advisory Council, illegal construction in a public park used by families and children was halted.

USAID Support for Independent Media: In FY 2000, USAID grantee Internews continued to support the development of professional independent print and broadcast media in Georgia, having helped establish independent television stations as an alternative voice to state-controlled broadcasting. There are now 31 commercial television stations producing local news, and 19 regional television stations in eleven cities producing daily news. Internews' efforts to promote print media development focused on improving reporting skills, making newspapers profitable, building a journalism/media association, and advancing ethics in journalism. After receiving training on journalistic ethics, one Georgian newspaper published its code of ethics on its front page. Though media professionalism is still lacking in Georgia, fewer governmental obstacles have made the Georgian press the most independent in the South Caucasus. In FY 2000, USAID also supported a South Caucasus regional news program, which broadcasts stories on a given theme each week from independent television outlets in Armenia, Azerbaijan and Georgia. The program, which is aired weekly during prime time in each of the three countries, won a silver medal at an international film festival in Parma, Italy. One segment revealed corruption among highly placed Georgian Government officials, covering the alleged misuse of \$2 billion in international credits intended for meeting social needs, and analyzed the complicated system of expropriating funds. After the broadcast, viewers flooded the phone lines with more examples and urged the news program to continue exposing corruption.

U.S. Department of State – Support for Independent Media: In FY 2000, the U.S. Embassy's Public Affairs Section sent a team from the independent television station Rustavi II's investigative journalism program "60 Minutes" to the United States for three weeks on a cooperative television ("TV co-op") program. The Georgian team conducted high-profile interviews with prominent Americans, including the staff of the *Washington Post* and Senator Christopher Smith, a member of the Helsinki Commission of the U.S. Congress. The Georgian "60 Minutes" team was also able to meet with its inspiration, the staff of the CBS program "60 Minutes." As a result of its TV co-op experience, the Georgian "60 Minutes" team made a number of improvements to their program.

USAID Local Government Program: In FY 2000, USAID expanded its efforts to promote decentralization, transparency, accountability and participatory governance at the local level, helping local governments learn to be accountable to citizens, and helping citizens learn how to effectively advocate for meaningful change. During USAID-supported town meetings with local officials, citizens highlighted their communities' concerns and held council members accountable for providing services. USAID also supported the formation of the Councils' Association of Georgia (CAG), which has become institutionally strong enough to grow out beyond Tbilisi and has established branches in all nine regions of the country, representing more than 10,000 local council members throughout Georgia.

USAID Regional Women's NGO Leadership Program: The USAID Mission in Armenia and the USAID Caucasus Regional Mission in Tbilisi supported an innovative program for women NGO leaders from Armenia, Azerbaijan and Georgia.

U.S. Department of State – Internet Programs: In FY 2000, the Internet Access and Training Program (IATP), which is administered by the U.S. Embassy's Public Affairs Section and is implemented by the International Research and Exchanges Board (IREX), expanded its network of public-access Internet sites to seven by adding the regional cities of Batumi, Poti and Kutaisi. IATP also awarded four small grants to support the development of Georgian-language resources on the Internet. Also in FY 2000, the Public Affairs Section sent six professionals on an International Visitor (IV) program focusing on Internet development. Three of the program's participants were ethnic Georgians, and three were Abkhazian. The participants from Abkhazia had the opportunity to experience the Internet for the first time, and also to gain a new perspective on the political situation in Abkhazia, based on their experience in America.

U.S. Department of State – Information and Democracy Programs: In FY 2000, the U.S. Embassy's Public Affairs Section brought four U.S. speakers to Georgia to participate in conferences organized by Technipormi (a Georgian NGO focused on supporting and developing all fields of information, including copyright law and legislation), the English Teachers' Association of Georgia, and the Tbilisi School of Political Studies. The U.S. speaker sent to the Tbilisi School of Political Studies is participating in a project with the Tbilisi State University of Pedagogy to develop an anti-corruption/anti-crime program for high school students, focusing on combating the "culture of lawfulness" and strengthening the rule of law.

Humanitarian and Social-Sector Programs

Drought Relief Programs: In response to Georgia's worst drought in fifty years, the U.S. Government, through USAID, funded emergency supplies of food, wheat, wheat seed and diesel fuel, as well as agricultural credit for the drought-affected areas. Almost 38,000 households benefited from these drought relief efforts. The hard-hit Samtskhe-Javakheti Region, a politically sensitive and predominantly Armenian enclave of subsistence farmers in southern Georgia, was one of the main targets of this assistance. This region is one of the most impoverished in Georgia and is home to significant numbers of ethnic minorities. By responding to their needs, instead of leaving them marginalized, this drought relief contributed to Georgia's political stability. Moreover, the U.S. Government's quick response to this emergency was instrumental in prompting other international donors to join the drought relief effort. A second phase of drought relief assistance is being planned for spring 2001.

USAID Winter Heat Assistance Programs: In FY 2000, for the second year in a row, USAID supported winter heating subsidies for pensioners and social institutions during the months of November through March. These subsidies were critical in preventing the beneficiaries—the poorest residents of Georgia—from having their electricity cut off during the winter, thus averting significant human suffering and helping to maintain public support for energy-sector privatization. This expanded program covered all of Georgia's regions, except for Abkhazia and South Ossetia, and supported the creation of a database of the most vulnerable, isolated pensioners. This database, which is the most comprehensive collection of data collected on this segment of the population, has enabled the Georgian Government to target its social programs and allowances more accurately, helping to clean up the State Pension Fund database by removing the names of many deceased individuals. In FY 2001, this database will be turned over to Georgia's Ministry of Labor, Health and Social Protection.

USAID Assistance to Internally Displaced Persons (IDPs) and Pensioners: In FY 2000, USAID sponsored rehabilitation projects for 48 IDP collective centers benefiting a total of over 12,000 households, including the repairing of pipes, sanitary facilities, electrical wiring, windows and doors. Families living in these collective centers contributed up to 25 percent of the total cost of these rehabilitation projects, reflecting the shift in USAID's humanitarian assistance programs from hand-outs to self-help. In addition, with USAID support, more than 6,500 isolated vulnerable pensioners received hot meals five times a week in several regions of Georgia.

USAID Community Mobilization Programs: In FY 2000, USAID helped mobilize a total of 158 communities to initiate micro-projects addressing priority needs in the areas of health, infrastructure, shelter and economic opportunity. As a reflection of USAID's strategy to build indigenous capacity, Georgian NGO partners and community members carried out instrumental roles in the success of these micro-projects. By the end of the fiscal year, a total of 118 community micro-projects were successfully completed, including the following:

- **Social Infrastructure Programs:** A total of 78 social infrastructure micro-projects were completed, including the rehabilitation of schools, outpatient clinics, hospitals, water supply systems, sewage systems, rainwater drainage, roads, bridges, electrification, and recreation centers and community rooms in collective centers for IDPs.
- **Community Health Programs:** The Georgian Nursing Association, which was established as part of an USAID-funded health partnership, completed a total of 32 community micro-projects in the area of primary health care, providing training in health care management to 329 Georgian health professionals and facility managers from the country's regions. Two Georgian NGOs and three regional health departments collaborated in designing and implementing the projects and training sessions.
- **Economic Opportunity Programs:** Over 13,600 households benefited from income-generation activities, including 1,700 micro-credit loans awarded to entrepreneurs, 3,026 individual loans to farmers and businesses, and agricultural projects involving some 9,000 families. As of the end of FY 2000, the project's loan repayment rate averaged nearly 96 percent. Through these programs, USAID helped seven Georgian NGOs strengthen their capacity to implement, manage and sustain credit programs. To better prepare Georgians for employment opportunities, USAID helped establish vocational training centers in Zugdidi and Kutaisi that provided computer and English language training to over 3,600 students. In addition, eight USAID-funded community micro-projects promoted household and commercial agricultural production, including activities in the areas of seed distribution, livestock dispersal, veterinary assistance, development of rural credit associations, and agricultural production grants.

USAID Conflict Resolution Programs: USAID-supported conflict resolution activities were primarily focused on increasing contact and cooperation between Georgian and Abkhaz youth affected by the conflict in the separatist-controlled region of Abkhazia. Youth Houses located in Sukhumi (Abkhazia), Zugdidi and Tbilisi provided over 5,300 internally displaced persons (IDPs) and vulnerable youth with opportunities for social and psychological rehabilitation and personal growth. Conflict management and prevention training was provided to 21 Abkhaz and Georgian youth leadership groups, which included 250 Abkhaz and 250 Georgian teenagers between the ages of 14 and 17, all victims of the Abkhaz-Georgian conflict. In addition, 54 teenagers, along with adult chaperones and teen counselors-in-training, attended a conflict resolution/prevention camp in the United States. This was the third such camp conducted under this program. USAID also sponsored training of trainers for local NGO leaders in conflict management and prevention, providing support for those who are looking for creative and peaceful ways to end the eight-year-long conflict.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS transported \$25.59 million in privately donated humanitarian commodities—primarily medicines, medical supplies and food—to Georgia at a cost of \$2.05 million to the U.S. Government. These commodities were distributed through U.S. private voluntary organizations (PVOs), including United Methodist Committee on Relief (UMCOR), Counterpart International, A Call to Serve (ACTS) and the World Council of Hellenes Abroad.

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2000, USDA provided 35,000 metric tons of wheat to Georgia under its government-to-government Section 416(b) Program, valued at approximately \$6 million. Georgia also received \$10 million in export credit guarantees under USDA's GSM-102 Program. In addition, USDA donated 3,080 metric tons of beans, flour, rice, soybean, wheat and sunflower oil, valued at \$4.7 million. These commodities were provided through two U.S. private voluntary organizations (PVOs): International Orthodox Christian Charities (IOCC) and UMCOR.

USAID Health Partnerships: In FY 2000, USAID funded the Women's Wellness Center in Kutaisi, which serves approximately 4,000 women annually, providing clinical and educational services, including early detection, screening, disease prevention, and health promotion services. The Center's Breast Cancer Program is increasing women's awareness of the risk, early detection and treatment of breast cancer. The Center also provides prenatal care, reproductive health and family planning services. USAID also helped establish a blood bank in Tbilisi that will drastically reduce the risk of transfusion reactions and blood-borne infectious diseases. USAID also supported the testing, typing and cross-matching of all of the blood transfused at the Center. Since opening in September 2000, the Center has already received 105 blood donations and has processed 225 blood products for patients in need of transfusions. Other USAID-supported health partnerships in Georgia are focusing on primary health care, infection control, and health management education for regional health leaders. Over 500 health-care professionals were trained through these partnership programs during FY 2000.

USAID Immunization and Iodine Deficiency Programs: USAID has been the primary supporter of immunization programs in Georgia since 1995. This support has resulted in overall child immunization levels of 76.8 percent, with a 95-percent immunization level for extremely dangerous diseases such as diphtheria and polio. In FY 2000, USAID also helped initiate a program to distribute and administer iodized oil capsules to children up to 16 years of age in selected regions of Georgia, with the goal of reducing the incidence of iodine deficiency disorders.

USAID Reproductive Health Programs: In FY 2000, USAID helped launch "Care for Each Other," a nationwide family health campaign that is providing educational materials and consultant references to help married couples make informed choices regarding healthy family planning. Program activities include promoting modern contraception methods, building the capacities of health-care providers in the area of contraceptive technologies, communication skills and reproductive health evaluations. Reproductive health clinics report a 200-percent increase in patient visits since the launch of the campaign, and the information hotline established by the campaign has already received over 2,000 calls. The first-ever nationwide reproductive health survey in Georgia was conducted in FY 2000. The results of this survey will help health-care professionals develop and refine programs addressing problem areas in family health. In addition, three new USAID-supported initiatives were launched in FY 2000 to strengthen prenatal health-care services, improve the training of specialists in reproductive health, and encourage the practice of healthy reproductive and sexual behavior in young married couples and sexually active at-risk unmarried men and women.

Energy and Environmental Programs

USAID Energy-Sector Programs: In FY 2000, USAID continued to provide training and technical assistance to build up the institutional capability of Georgia's energy sector, including training in International Accounting Standards (IAS) for Georgia's electricity-generation enterprises, as well as international audits of six enterprises, carried out in anticipation of their commercial credit and international financial institution (IFI) credit applications. The introduction of modern financial accounting and auditing facilitated the privatization of Georgia's largest thermal power plant, Gardabani, in March 2000. USAID assistance was also instrumental in analyzing and justifying a proposed electricity tariff increase in July 2000. Though the higher tariff was still well below international market prices, the increase was critical to meeting obligations under Gardabani's privatization contract and a condition for further World Bank and EBRD credit disbursements. USAID also funded the preparation of management contracts for Georgia's electricity transmission, distribution and wholesale electricity market entities. A contract for management of the distribution sector is also being developed. In FY 2000, a total of 42 pilot projects in energy efficiency were initiated at sites around Georgia to increase public awareness of energy conservation and energy costs. Following this model, Georgia's newly private-sector-led power industry is developing public awareness campaigns to help residential and commercial customers reduce energy consumption and save money on electricity bills. With USAID technical assistance, Georgia's State Agency for Oil and Gas Regulation (SAOGR) successfully negotiated its first production-sharing agreement (PSA) for offshore oil fields in the Black Sea with a U.S. oil company, Anadarko. SAOGR also received training in contract preparation and legal responsibilities through partnerships formed with U.S. counterpart agencies from Oklahoma, Colorado and Pennsylvania.

USAID Support for Regional Energy-Sector Cooperation: Through an initiative jointly carried out by the USAID Mission in Armenia and the USAID Caucasus Regional Mission in Tbilisi, dialogue among Armenian, Azerbaijani and Georgian energy-sector representatives was reestablished, including the consideration of cross-border energy security and energy efficiency measures and the impact of water management on regional energy markets.

USAID Environmental Programs: In FY 2000, USAID's Caucasus Regional Mission in Tbilisi, in conjunction with the USAID Mission in Armenia, launched a regional program to promote discussion and cooperation among Armenia, Azerbaijan and Georgia on trans-boundary river basin management. A needs assessment is currently underway to define common water management issues and pilot programs that will facilitate confidence-building in the region. With the signing of the Host Government Agreement for the Baku-Tbilisi-Ceyhan oil pipeline, the Georgian Government has committed itself to improving its environmental monitoring and evaluation capabilities. USAID is providing technical assistance to Georgia's Ministry of Environment and Natural Resources, the country's NGO community, and the Georgian companies responsible for construction of the gas and oil transit pipelines to enhance their environmental monitoring and evaluation capabilities. The first step in this process, which is expected to accelerate in FY 2001, is to improve public participation in the environmental decision-making process and to expand outreach to a broader constituency.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2000, the Eurasia Foundation's field office in Tbilisi awarded 34 grants totaling over \$963,500 to Georgian NGOs working in the areas of civil society-building, private enterprise development, and public administration and policy. To help overcome the political and economic obstacles to regional integration, the Eurasia Foundation's South Caucasus office has created the South Caucasus Cooperation Program (SCCP), a program designed to facilitate greater contact and cooperation among leading NGOs in Armenia, Azerbaijan and Georgia. In FY 2000, the SCCP supported cross-border projects in areas such as business development, legal reform, civil society building, and public administration, awarding 57 grants totaling almost \$28,000, of which approximately \$6,500 was provided to Georgia-based NGOs working in the region. SCCP focused on the following priority areas for regional cooperation: business associations, professional associations, voter education, tourism development, economic education, local government, and regional economic policy development.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2000, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2001 Programs

In FY 2001, U.S. Government-supported democracy programs will continue to build on the strong support received to date from the Government of Georgia. A particular emphasis will be placed on supporting the initiatives of young reformers and the many alumni of U.S. Government-funded exchange programs. Programs will concentrate on three priority areas: (1) engendering support for anti-corruption measures among NGOs and the population; (2) support for the free press and access to the Internet; and (3) continued investment in the next generation through exchanges as well as the development of an indigenous capacity to educate youth and young professionals in fields such as public administration and journalism. Economic reform programs will concentrate on improving transparency, accountability and revenue collection, and helping the Finance Ministry meet requirements established by the International Monetary Fund (IMF). The U.S. Government will also continue a robust assistance effort to address potential weapons proliferation and national security concerns through export control and border security programs, as well as facilitating continued Russian equipment and ammunition withdrawals.

KAZAKHSTAN

Political and Economic Overview

Although economic reforms and high oil prices contributed to solid economic performance in Kazakhstan in FY 2000, political reform remained problematic. Despite requests from the Organization for Security and Cooperation in Europe (OSCE) and other election monitoring organizations, the Government of Kazakhstan never released verifiable vote totals for the October 1999 parliamentary elections. In February 2000, the Kazakhstani Government and OSCE agreed to initiate a series of roundtables to discuss implementation of recommendations for electoral reform. The roundtable process began in September 2000 with the participation of government officials, representatives of all of Kazakhstan's political parties, and a broad spectrum of the country's civil society, including groups that provided non-partisan domestic observers for the parliamentary elections.

Kazakhstan's economic performance in FY 2000 represented a significant improvement over recent years. Rising oil prices, combined with the Kazakhstani Government's April 1999 decision to allow the national currency's exchange rate to float, helped Kazakhstan post economic growth of 1.7 percent in 1999, after a 2.5 percent fall the previous year. The country's per-capita gross domestic product (GDP) also increased slightly in 1999 to \$1,066. Inflation, which spiked after the depreciation of the national currency's newly floating exchange rate, has been under control and is expected to be between eight and nine percent for 2000. Strong real growth in GDP for 2000 is also expected—one estimate for the first nine months of 2000 puts GDP growth at 10.5 percent. This economic performance enabled Kazakhstan to pay off its full \$400 million debt to the International Monetary Fund (IMF) in June 2000—seven years early.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$80.88 million in assistance to Kazakhstan, including \$44.76 million in FREEDOM Support Act assistance, \$25.86 million in other U.S. Government assistance, and \$10.26 million in U.S. Defense Department excess and privately donated humanitarian commodities. U.S. Government assistance to Kazakhstan sought to strengthen independent media, civil society and access to information. Economic reform assistance helped to improve the legal and regulatory environment necessary for Kazakhstan to move closer to World Trade Organization (WTO) accession, strengthen the banking sector and private pension system, and promote local government reform. In the health sector, the U.S. Government worked to increase access to quality primary health care, improve control of tuberculosis, and support health

policy reforms. Through training programs, thousands of Kazakhstanis gained the skills needed to implement reforms in the public sector, to build more competitive private enterprises, and to increase the effectiveness of non-governmental organizations. In addition, U.S. Government-funded activities focusing more broadly on the entire Central Asian region sought to improve regional cooperation in solving environmental and energy-related issues such as multilateral water resource management.

Trade and Investment Programs

Central Asian - American Enterprise Fund (CAAEF): The CAAEF was created in 1994 to promote the creation of small and medium-sized businesses in Central Asia. The CAAEF has a total authorized capitalization of \$150 million, with \$111 million obligated (paid into the Fund) to date. In FY 2000, the macro-economic environment deteriorated in all countries in the region, with the exception of Kazakhstan. However, in Kazakhstan, currency devaluation contributed to inflationary pressures and reduced savings, slowing non-oil-related investment. The number of disputes between the Kazakhstani Government, the private sector, and foreign investors continued to increase, and resolution of these disputes was slow. The CAAEF made no new equity investments in Kazakhstan in FY 2000, as the Fund's staff were occupied with senior management turnover and several strategic reviews of the Fund's current portfolio. Small and micro-lending activities through the Fund's partner banks continued. (For more detail, please see Enterprise Funds section in Part III of this report.)

USAID Support for WTO Accession, Commercial Law Reform: In FY 2000, U.S. trade and investment programs continued to promote market and commercial law reform in Kazakhstan by supporting the country's efforts to accede to the World Trade Organization (WTO). With assistance from USAID-funded advisors, the Government of Kazakhstan developed and submitted improved and updated market access offers to the WTO, which constitute the backbone of the accession process: the second version of its Offer on Services and the third version of its Offer on Goods. As a result of these submissions and Kazakhstan's progress on all other aspects of accession, the WTO has scheduled Kazakhstan's next WTO Accession Working Party for February 2001. USAID-funded advisors also helped draft laws and regulations essential to WTO accession. Chief among these were laws protecting various intellectual property rights, including the law on commercial secrets and the law on microcircuits. In addition to WTO issues, USAID helped the Kazakhstani Government assess the country's current customs regime, and design and implement a customs modernization plan, which resulted in an increase in the number of pre-arrival customs declarations.

U.S. Trade and Development Agency (TDA): In FY 2000, TDA carried out a gas utilization study and a study of prospects for developing a gas terminal at Aktau. (For more detail, please see the TDA section in Part III of this report.)

Business and Economic Development Programs

USAID Business and Economic Restructuring Programs: In FY 2000, Kazakhstan continued to make progress in the areas of business development and economic restructuring. U.S. Government-funded economic reform and business development activities under the Regional Initiative in Atyrau achieved a significant impact in the areas of enterprise accounting, municipal finance and the promotion of private enterprise. Real progress also continued in banking reform: Kazakhstan's banks adopted international norms, such as deposit insurance, and total deposits grew by 32 percent over the first half of the calendar year, while consumer deposits rose by 17 percent during the same period. USAID helped Kazakhstan's National Bank develop a lending plan for small and medium-sized enterprises.

- **Fiscal Reform Programs:** USAID-supported work on tax policy and administration, budgeting and intergovernmental finance achieved significant results in FY 2000 and will continue in FY 2001. The Government of Kazakhstan is expected to exceed its budget deficit target of 3.5 percent of GDP as of the end of 2000. Revenues were up and expenditures were on track. A quarterly budget surplus was expected for the final quarter of 2000. Tax revenues as a percentage of GDP were expected to exceed the 14.5-percent target for calendar year 2000. During the first six months of 2000, revenues were 40 percent higher than during the same period in 1999.

- **Pension Reform Programs:** Kazakhstan's private accumulation pension system continued to develop rapidly during FY 2000, surpassing \$700 million in assets, and is expected to exceed the \$1 billion mark in 2001. To keep pace with the growing capital pool represented by the pension funds, USAID helped develop new financial instruments. The first corporate bonds in Kazakhstan's history were issued with USAID assistance in late 1999. Since then, more than \$100 million in local corporate bonds have been issued and are providing new investment opportunities for pension funds. As the pension industry grows, consolidation is beginning to occur and the first significant mergers have taken place. USAID helped ensure orderly and effective supervision of these mergers by Kazakhstan's authorized regulatory bodies and provided support to the merging funds. Regulation and supervision processes are still being developed, but the Kazakhstani Government appears closer to adopting USAID's recommendation to unify regulation under a single, independent body. USAID support has facilitated important changes to methodologies for valuing and accounting for pension assets.
- **Insurance Reform Programs:** USAID provided critical support for the development of a new insurance law that was passed by the Kazakhstani Parliament on January 1, 2001. The draft of the law was reviewed by donors and international supervisory bodies and found to comply with international standards. The new insurance law sets the standard for insurance reform in the NIS region and will provide a solid foundation for Kazakhstan's life insurance and annuities markets.
- **Accounting Reform Programs:** In FY 2000, Kazakhstan once again continued to lead the NIS countries in the area of accounting reform. In May 2000, Kazakhstan's Association of Auditors and Accountants became the first self-regulatory organization in the NIS to gain full membership in the International Federation of Chartered Accountants (IFCA). USAID-funded advisors continued to help the Kazakhstani Government implement a modern accounting curriculum in the country's universities. During 2000, USAID-funded advisors trained and mentored five associate professors of financial accounting. As a result, an accounting course was delivered to over 300 students. In addition, 183 professors were trained in international finance and managerial accounting. USAID also provided training to Kazakhstan's first graduating class of actuaries.
- **Support for Micro-Enterprise Development:** The Kazakhstan Community Loan Fund (KCLF) in Taldy-Korgan, established with USAID support, has made loans averaging less than \$233 to over 2,700 clients, over 80 percent of whom are female. In January 2000, KCLF received a license to open a branch office in Shymkent. Since then, the KCLF has disbursed over 600 loans there, with an average loan size of \$182. Of the over 600 loan recipients, 82 percent are female.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought almost 3,200 Kazakhstani citizens to the United States for short-term professional or long-term academic training, including some 450 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

USAID Training and Partnership Programs: USAID provides training to approximately 15,000 Kazakhstani citizens each year. Of this total, USAID trained approximately 770 Kazakhstani citizens (approximately 50 percent of whom were women) in FY 2000 through its Global Training for Development (GTD) Project: some 620 in Kazakhstan-based programs, 140 in third-country programs and 10 in U.S.-based programs. Participants received training in economic restructuring, democratic reform and social stabilization. The overall impact of USAID's training programs on economic development in Kazakhstan has been broad and deep. Enterprises are now able to determine their true profitability, and their accountants have the tools and techniques to help senior managers make the changes necessary for success. After receiving USAID training, a local bank became the primary certified mortgage lender in Kazakhstan and established a new procedure to lease real estate and provide mortgage and consumer loans. Upon returning to Kazakhstan, a group of USAID-trained law students established the Kazakhstan Association of Young Lawyers. USAID has also supported successful partnerships between U.S. and Kazakhstani organizations. For example, USAID partnered the Almaty Association of Entrepreneurs with the Tucson Chamber of Commerce and the Kazakhstan Association of Tourism Agencies with the Tucson Visitors Bureau. USAID made special efforts to ensure that Kazakhstan was well represented at international conferences such as the Sixth Annual Central European Real Estate Association Network Conference in Prague and the White House-initiated Vital Voices Conference in Istanbul.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2000, academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA) continued to support democratic institution-building and the transition to a free-market economy in Kazakhstan. These programs focused on independent media, journalism, education reform, the economics of higher education, the rule of law and electoral reform, democracy and human rights, NGO leadership development, grassroots participation in the political process, leadership training for women, Internet access and distance learning, small business and entrepreneurial development, public administration, English language teaching and American studies. Over 380 Kazakhstani citizens traveled to the United States in FY 2000 on State Department-funded exchange programs, roughly half of them on academic exchanges and half on professional exchanges. Approximately 90 Kazakhstani graduate, undergraduate and high school students participated in long-term exchange programs. Graduates of the Future Leaders Exchange (FLEX) Program have all gone on to successful university careers, many assuming leadership roles early in their careers. Approximately 20 university professors gained experience in research, teaching and curriculum development under the Fulbright, Regional Scholars Exchange, and Junior Faculty Development (JFDP) Programs. JFDP provides young university faculty members with year-long training opportunities at U.S. universities in the areas of teaching methodology and course and curriculum development. These young scholars return to make substantial contributions to university reform in Kazakhstan. Under the Community Connections Program, 70 Kazakhstani professionals in the fields of journalism, small business development, environmental policy, university administration and public administration traveled to the United States for five-week intensive community-based training. An additional 82 Kazakhstani professionals participated in International Visitor (IV) programs on topics such as finance for independent media, university administration, government transparency, women in politics, grassroots political party development, small and medium-sized enterprise management, global climate change and U.S. immigration policies. Over 350 prominent politicians, jurists, professors, university rectors, environmental experts and NGO leaders have participated in the IV Program since it began operations in Kazakhstan nearly nine years ago. FY 2000 saw the culmination of an eight-year project on public administration training for senior local and regional administrators from throughout Kazakhstan. This program has made a material contribution to the development of a professional civil service by sending nearly 100 Kazakhstani public servants to the United States for intensive six-week workshops in various aspects of public administration. Alumni of this program, including several *akims* (heads of regional and local governments), have made significant contributions to the drafting of new legislation on civil service reform.

U.S. Department of State – University Partnerships: In FY 2000, the NIS College and University Partnership Program administered by the Bureau of Educational and Cultural Affairs (ECA) continued to promote self-sustaining, long-term relationships between U.S. and Kazakhstani universities. These partnerships facilitate the exchange of information and scholars on a range of important issues, including public administration and finance, with the goal of developing new courses and programs in these and other key reform fields. In FY 2000, the ECA Bureau awarded a new university partnership grant supporting curriculum and institutional development activities between Indiana University at Bloomington and Taraz State University in the field of educational policy. Ongoing projects that saw their first full academic year of activity in FY 2000 included Indiana University's cooperative program to strengthen the law curriculum at Adilet Higher Law School, and San Diego State University's program in management for energy-related fields with Atyrau's Oil and Gas Institute in support of the U.S. Government's Regional Initiative in Atyrau. The ECA Bureau is also supporting an ongoing university linkage between the University of Mexico and the Kazakhstani Institute of Management in the fields of public finance and tax reform.

U.S. Department of Agriculture – Cochran Fellowship Program: In FY 2000, USDA's Cochran Program continued to support agricultural reform in Kazakhstan, organizing short-term exchange programs for 22 agricultural specialists. These programs focused on agricultural marketing, veterinary and phytosanitary control, poultry nutrition and agricultural research. One of the agricultural marketing program participants put his training to use by organizing a farmers' market in Pavlodar Oblast (Region). Participants in the poultry nutrition and phytosanitary programs were working to lift Kazakhstan's ban on imports of genetically modified soybeans. Cochran participants also initiated a collaborative project with USDA's National Agricultural Statistical Service to implement a system of national agricultural statistics in Kazakhstan.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2000, the SABIT Program provided short-term internships at U.S. businesses for 30 Kazakhstani participants. (Please see the U.S. Department of Commerce - SABIT section in Part III of this report.)

Democracy Programs

Democracy Fund Small Grants Program: In FY 2000, the U.S. Embassy's Democracy Commission continued to serve as a flexible, rapid-response mechanism for supporting democratic institution-building at the grassroots level, awarding 13 grants totaling approximately \$110,000 to local NGOs working in such areas as business development, legal and social issues, media, environment and women's issues. The Democracy Commission has contributed to the development of a healthy NGO sector in Kazakhstan. Organizations such as the South Kazakhstan Legal Information Center, the Union of Women Entrepreneurs, the Laboratory for Intellectual Property Rights, Otyrar TV and Special Olympics Kazakhstan have received Democracy Commission grants to support conferences, publications, training sessions, and other initiatives.

U.S. Department of State – Internet Access and Training Program (IATP): In FY 2000, IATP, which is administered by the Bureau of Educational and Cultural Affairs (ECA) and implemented by the International Research and Exchanges Board (IREX), expanded its support for public-access Internet sites in Almaty, which are providing free and open Internet access to a variety of users, especially Kazakhstani alumni of U.S. Government-funded exchange programs, thereby helping them maintain their contacts and broaden their professional horizons after returning home. In addition to the existing IATP site at Kazakhstan's National Library and the training center at the IREX office in Almaty, new IATP sites in Atyrau, Karaganda and Shymkent are expanding Internet access to important regions of the country. IATP also makes distance learning available to people who would not otherwise have the opportunity to access higher education.

USAID Election-Related Assistance: In the wake of Kazakhstan's flawed 1999 presidential and parliamentary elections, and with no other elections scheduled for the next several years, USAID provided only limited election-related assistance to Kazakhstan in FY 2000. USAID continued to encourage Kazakhstan's Central Election Commission (CEC) to pursue electoral law reform. After the CEC agreed with the Organization for Security and Cooperation in Europe (OSCE) to initiate a series of roundtable discussions on electoral reform, USAID helped to organize non-governmental participants for the roundtables, the first of which was held in September 2000.

USAID Citizen Participation Programs: In FY 2000, USAID's citizen participation programs continued to focus on creating an environment that fosters NGO development, the rule of law, the free flow of information, and citizen participation. USAID-sponsored information and resource centers disseminated information about NGO legislation and served as a focal point for the local NGO community to share ideas and receive training. As a result, Kazakhstani citizen groups increasingly voiced their views on draft legislation. For example, with USAID technical assistance, local NGOs organized an advocacy campaign calling for changes in the government's draft law on local self-government. By organizing a petition drive that gathered over 60,000 signatures and by meeting with individual parliamentarians, NGO activists from around the country influenced the Kazakhstani Parliament's decision to allow more time for citizen input on the draft law.

USAID Support for Independent Media: Although self-censorship and government pressure continued to hamper independent news outlets, particularly those supported by opponents of the government, USAID's work to promote independent media during FY 2000 focused on media advocacy activities. These included monitoring and reporting on restrictions of press freedom, publication of a monthly bulletin on media law, and direct support for local media advocacy organizations. As a result of three years of lobbying efforts by media outlets supported by USAID, Kazakhstan's Licensing Commission lowered broadcast tender costs for a number of provincial cities, in some cases by as much as 90 percent. Kazakhstan's Frequency Commission held a round of tenders for frequency permits, the first such tender in over a year. Out of 19 applicants, three new television stations (in Balkhash, Ekibastuz and Shuchinsk) and two new radio stations (in Aktobe and Kyzylorda) received permits, while four existing radio stations received permits to broadcast in additional cities.

USAID Information Dissemination Programs: In FY 2000, USAID expanded the scope of its independent media programs to include the dissemination of information on civic rights and domestic public issues, and initiated a number of other new civic education activities. A USAID-supported civic education textbook and curriculum for eleventh-graders was tested in approximately 40 pilot schools throughout the country. In addition, USAID began a cooperative program with the Soros Foundation to support debate clubs and other civic education projects. Under this program, debate clubs received wide exposure through two national youth debate tournaments and through a national television program, "City of the Future," which regularly features

student debates. In an effort to educate women about their legal rights, USAID conducted seven domestic violence seminars around the country, involving the participation of NGO leaders, judges and law enforcement officials. USAID also supported a policy dialogue between NGOs and Kazakhstan's National Commission for Women and Children on draft legislation against domestic violence.

USAID Legislative Drafting: In FY 2000, USAID helped the Government of Kazakhstan establish a legislative drafting center for the Kazakhstani Parliament. The center became operational in January 2000, and parliamentarians began to use its services. Since then, the center has drafted 19 pieces of legislation, including 12 initiated by deputies; has commented on another 16 pieces of draft legislation; and has provided other services to the parliament, including speech-writing.

USAID Local Government Initiative: Over 2,000 Kazakhstani local government and housing officials, approximately half of whom were elected officials, received training in FY 2000 through USAID's Local Government Initiative. This training focused on practical ways to build citizen participation into the functions of local government, promote open and competitive procurement practices, and improve management practices. USAID-funded advisors engaged local and national government figures on the issue of decentralization and provided comments on draft laws on local government and self-government. While these draft laws did not demonstrate a national-level commitment to decentralization of government authority, there has been a growing sense among local officials that decentralization is needed. There is increased interest, as reflected in press articles and discussions with local officials, in decentralization and in abandoning or modifying the current system of appointed mayors and governors. These shifts in attitudes, although not yet manifested in law, may prove to be the most important long-term development in the area of local government reform.

U.S. Department of State – Law Enforcement Training and Counter-Narcotics Programs: In FY 2000, the Bureau of International Narcotics and Law Enforcement Affairs (INL) trained over 250 Kazakhstani officials from the Ministry of Internal Affairs, the procuracy, the courts, the Customs Committee, the Border Guards, the Ministry of Justice, the Tax Police and the Committee for National Security (KNB). The main objective of these training programs was to help officials combat the growing regional threat of narcotics trafficking and the associated problems of organized crime, corruption, money laundering and drug abuse. INL training programs also promoted the rule of law and cooperation among law enforcement agencies. In addition to conducting training in Kazakhstan, INL also sponsored the participation of Kazakhstani officials in regional conferences.

Energy and Environmental Programs

USAID Energy-Sector Programs: Efforts in this area focused on developing an effective strategy for improving the management of Kazakhstan's critical natural resources. USAID-funded advisors helped Kazakhstan's Ministry of Energy, Industry and Trade (MEIT) and the Ministry of Environment and Natural Resources (MENR) adopt new rules and regulations for the licensing and environmentally safe operation of petroleum drilling and pipeline transport facilities. With USAID support, the U.S. Energy Association initiated several partnership activities between U.S. energy operators and their Kazakhstani counterparts. In support of the U.S. Government's Regional Initiative in Atyrau, USAID initiated activities under a pilot demonstration project on energy-saving in Atyrau.

USAID Environmental Programs: In FY 2000, USAID's environmental programs included activities in the areas of climate change and water management. Some of this work was part of a broader USAID regional programs covering all of the Central Asian countries.

- **Global Climate Change Programs:** USAID is providing technical assistance to the Climate Change Coordination Center office in Astana on methods of reducing and financing the reduction of greenhouse gas emissions. USAID supported the analysis and forecasting of greenhouse gas emissions, based on a detailed inventory and macroeconomic study that helped Kazakhstan prepare to join the category of Annex I countries (countries that have agreed to take on voluntary emissions reduction targets) under the United Nations Framework Convention on Climate Change. USAID-funded experts trained Kazakhstani Government officials and NGO representatives on international and local climate change legislation. Training on the use of macroeconomic models of future emissions focused on different sectors of the economy, including the industrial sector, energy sector, agricultural sector and others.

- **Regional and Local Water Management Programs:** USAID assistance helped establish policy and technical working groups in Kazakhstan and the other Central Asian countries for the development of a water-use optimization model for the Syr Darya River Basin. The purpose of this model, which is based on the Generalized Algebraic Modeling System (GAMS), is to help the Central Asian republics develop better water and energy policy positions and prepare rules for sharing their trans-boundary waters. The process of developing the model provided an opportunity for interaction among the policy and technical staffs of relevant ministries from each of the Central Asian countries. In addition, a USAID contractor, International Resources Group (IRG), completed an analysis of the operations and maintenance (O&M) costs of trans-boundary hydro-technical facilities in the Syr Darya River Basin. The analysis concluded that only 40 percent of the Basin's O&M needs are currently financed, reviewed various options for O&M cost allocation, and recommended a scheme based on country-specific water shares. USAID-funded advisors also conducted a study of national constraints on the implementation of the March 1998 Syr Darya Agreement. In the area of local water management, IRG helped the Kazakhstani Government finalize a draft law on water users' associations and submit it to the Parliament for consideration.

Security and Regional Stability Programs

As a former nuclear weapons state with nuclear reactors, and an inheritor of Soviet biological and chemical weapons infrastructure and expertise, Kazakhstan has the potential to be a source or transit country for weapons-of-mass-destruction (WMD) materials and technology, as well as a source for conventional weapons transfers to countries of proliferation concern. In FY 2000, U.S. Government-funded programs continued to help reduce threats of proliferation; ensure the security of nuclear materials at nuclear power, research and production facilities; enhance export controls; and redirect former Soviet weapons expertise to peaceful projects. Kazakhstan has made major efforts in WMD nonproliferation and has paid increasing attention to concerns about conventional weapons transfers. The U.S. Government also focused assistance on establishment of professional armed forces in Kazakhstan capable of operating alongside NATO forces in peacekeeping, search-and-rescue and humanitarian operations, and on enhancing the Kazakhstani Armed Forces' support for democratic and economic reform.

In FY 2000, the recurring incursions by militants into southwest Kyrgyzstan, combined with ongoing events in Southwest Asia and the Northern Caucasus, drew attention to the need to enhance the export control and border security capabilities of Kazakhstan and its neighboring Central Asian states. To this end, during her April 2000 visit to Almaty, Secretary Albright announced that the U.S. Government would provide up to \$3 million in assistance under a new Central Asian Border Security Initiative (CASI) encompassing programs that focus on combating terrorism and stopping the illicit trafficking of weapons of mass destruction, dual-use weapons, and narcotics.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: The EXBS Program seeks to enhance the capability of Kazakhstan to prevent illicit trafficking in WMD, related materials and conventional arms. The Department of State allocated an estimated \$2.6 million in FY 2000 funds to provide training and equipment for Kazakhstan under this program. The Departments of Energy and Commerce and the U.S. Customs Service provided training to help the Kazakhstani Government enhance its licensing systems, industry internal compliance controls and interdiction and enforcement infrastructure. The U.S. Government has also proposed to provide equipment and training to those agencies involved in export control enforcement and border control activities.

U.S. Department Of Energy (DOE) – Nuclear Export Control Assistance Program: Using State Department EXBS funds, DOE is helping Kazakhstan develop a computerized review system for nuclear export control licenses. In FY 2000, DOE efforts were expanded to help develop internal compliance systems for export control at Kazakhstan's nuclear industries and facilities. DOE also provided training to help Kazakhstani officials recognize dual-use commodities and radioactive materials. These efforts supported Kazakhstan's desire to join the Nuclear Suppliers' Group.

U.S. Department of State – Anti-Terrorism Assistance (ATA): In FY 2000, the ATA Program conducted anti-terrorism assessment training in Kazakhstan, and has proposed additional training to help Kazakhstani officials enhance their anti-terrorism skills. Kazakhstani officials participated in a regional counter-terrorism conference hosted by the Office of Counterterrorism in Washington in June 2000.

U.S. Department of Defense – Cooperative Threat Reduction (CTR) Program: Through FY 2000, nearly \$156 million has been obligated and over \$141 million disbursed for CTR assistance to Kazakhstan. In FY 2000, the CTR Program continued to help Kazakhstan eliminate infrastructure of the former Soviet biological weapons (BW) production facility at Stepnogorsk. CTR also completed the sealing of the last of 181 nuclear test tunnels at Degelen Mountain.

U.S. Department of Defense – CTR Military-to-Military Contact Program: In FY 2000, multi-level military-to-military contacts and participation in routine bilateral and multilateral exercises continued to help integrate Kazakhstani military personnel into Western military operations and promote the modernization of Kazakhstani equipment and training in accordance with NATO standards. Some 28 military-to-military contact events were conducted in FY 2000, at a total cost of nearly \$2 million. The highlight of these events was a multinational peacekeeping exercise held in Kazakhstan with the participation of the Central Asian Peacekeeping Battalion (CENTRASBAT) and over 350 U.S. soldiers, under the observation of the Chairman of the U.S. Joint Chiefs of Staff and the Commander-in-Chief of the U.S. Central Command (CENTCOM). All of the contacts that took place in FY 2000 encouraged the development of professional and apolitical armed forces capable of legitimate self-defense and of contributing to international peacekeeping operations. These contacts have also helped develop long-term institutional relationships between Kazakhstan and the United States, and promoted substantive dialogue on important defense topics. Approximately 30 events are projected under the Military-to-Military Contact Program in FY 2001. These include four exercises: one in Germany and three in Kazakhstan.

U.S. Department of Defense (DoD) – Defense Reform Initiatives: DoD's defense reform initiatives in Kazakhstan in FY 2000 included visits to follow up on a defense resource management study, as well as visits to follow up on exchange programs focusing on defense planning, defense resource planning, defense logistics information and defense-related environmental issues.

International Military Education and Training (IMET) Program: In FY 2000, U.S. State Department-funded IMET programs promoted democratic and free-market concepts in the operations of Kazakhstan's Armed Forces. IMET-funded activities under the state partnership program with the Arizona National Guard further contributed to these goals. Kazakhstan was allocated \$566,000 for IMET programs in FY 2000, which was used to fund English-language training, as well as U.S.-based military training programs for 18 Kazakhstani officers. With the completion of three English-language labs, the focus of IMET in FY 2001 will be on further English-language training and basic non-commissioned officer courses to help establish a professional military force.

Foreign Military Financing (FMF) Program: Kazakhstan continues to play an increasingly active role in NATO's Partnership for Peace (PFP) programs. In FY 2000, Kazakhstan was allocated \$1.5 million in FMF funding for procurement of non-lethal military equipment. Procurement actions were initiated for the last elements of a computer-based interactive English language lab and a \$2.5 million RACAL communications equipment package. An additional \$290,000 was used to purchase equipment for Kazakhstan's KAZBAT Peacekeeping Battalion. The Government of Kazakhstan has expressed interest in utilizing FY 2001 FMF funds to equip KAZBAT with military vehicles and global positioning satellite (GPS) systems.

Social Sector and Humanitarian Programs

USAID Health-Care Reform Programs: In FY 2000, USAID made considerable progress toward its objective of increasing access to quality primary health care in Kazakhstan. USAID-funded family doctor training was initiated in Atyrau, Aktau, Kustanai and Kokchetau. The popular open-enrollment campaigns that allow patients to choose their own doctors were also expanded with USAID support. With USAID assistance, the Kazakhstani Government's Interagency Working Group completed a reproductive health policy paper and presented it to the Kazakhstani Government as a recommended basis for contraceptive policy and a decree on reproductive rights. A hotline for reproductive health issues was extended to Temirtau, the epicenter of Kazakhstan's rapidly increasing HIV/AIDS problem. Another important initiative addressing the potential spread of HIV/AIDS throughout Central Asia was the first pilot project on the syndromic management of sexually transmitted diseases (STDs) in the city of Zhezkazgan. Family doctors in Zhezkazgan were trained to diagnose and treat STDs according to World Health Organization (WHO) protocols. Family doctor intervention contributed to a 60-percent increase in the number of treatments for gonorrhea infections. In addition, U.S. Government support for implementation of the internationally recognized Directly Observed Therapy Short Course (DOTS) tuberculosis treatment program contributed to a continued decrease in Kazakhstan's tuberculosis mortality rates, which declined by 20 percent in 1999 and continued to decrease during the first six months of 2000. However, despite

this success, changes in leadership at Kazakhstan's Agency for Health Affairs (AHA) led to a decrease in the Kazakhstani Government's support for USAID-supported tuberculosis control efforts. The extent of changes that might be made to the government's anti-tuberculosis program remained unclear, but the AHA's new leaders expressed doubts about the DOTS program and indicated that they plan to reinstate at least some aspects of the former Soviet tuberculosis treatment regime.

U.S. Department of Agriculture (USDA) – Food Aid Programs: In FY 2000, USDA made available to Kazakhstan a \$10 million GSM-102 commercial financing program as well as a \$10 million credit supply program. In addition, the people in the Aral Sea Region were the recipients of approximately \$1.3 million in food assistance furnished through a USDA-funded program administered through the American Red Cross.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS facilitated the delivery of \$10.26 million in humanitarian commodities to target groups in most need at a cost to the U.S. Government of approximately \$1.04 million. These commodities were distributed through U.S. private voluntary organizations, including Counterpart International and Project Hope.

Cross-Sectoral Programs

Atyrau Regional Initiative: In FY 2000, the U.S. Government's Regional Initiative (RI) in Atyrau continued to serve as a pilot effort to demonstrate the kinds of results that can be achieved by heavily concentrating a wide array of assistance activities in a single region. Booz-Allen and Hamilton, a USAID contractor, worked with public and private institutions to identify barriers to trade and investment in the Atyrau *Akimat* (Region), producing a 10-volume guide on the rights of small businesses in Kazakhstan. In addition, the USAID-funded Carana Corporation offered training in modern accounting methods for practicing accountants and regional accounting educators. Also with USAID support, the International Executive Service Corps (IESC) provided training in business methods and management to small and medium-sized enterprises, and Project Hope helped local medical professionals diagnose and treat tuberculosis. The State Department's Bureau of Educational and Cultural Affairs (ECA) supported a university partnership between the Atyrau Oil and Gas Institute and San Diego State University. In addition, the State Department's Internet Access and Training Program (IATP) opened a public-access Internet site in Atyrau. These and other U.S. Government-supported activities in Atyrau were complemented by several projects funded by the Chevron Corporation, including a business advisory center and a small loan program administered by European Bank for Reconstruction and Development (EBRD).

Eurasia Foundation: In FY 2000, the Eurasia Foundation's regional office in Almaty awarded 60 grants totaling over \$868,500 to Kazakhstani NGOs working in the areas of civil society-building, private enterprise development and public administration and policy. (For more detail, please see Eurasia Foundation section in Part III of this report.)

Peace Corps: In FY 2000, Peace Corps programs in Kazakhstan concentrated on four sectors: teaching English as a foreign language, economic development, public health and environmental education. As of the end of FY 2000, 158 Peace Corps volunteers (PCVs) were serving two-year terms of service in 13 of Kazakhstan's 14 *akimats* (regions), working with Kazakhstani colleagues in local organizations. Since 1993, nearly 500 PCVs have served in Kazakhstan.

- **Teaching English as a Foreign Language (TEFL):** TEFL volunteers provided assistance with English-language teaching and educational resource development. The majority of TEFL volunteers were teaching secondary school students, while others taught English at the university level. In addition, TEFL volunteers conducted workshops for local teachers on using different methodologies and content-based lessons, helped write grant applications, and helped obtain access to information. In collaboration with the Soros Foundation, PCVs helped establish English teachers' associations and resource centers, as well as training local teachers to run NGOs. With support from PCVs, local teachers and school staff developed planning and fund-raising skills that will help their associations and NGOs achieve self-sustainability. PCVs provided information resources, consulting and training assistance to seven information resource centers throughout Kazakhstan. These information centers were originally established to support learning of the English language, but have subsequently become a source of information on a variety of subjects and are now serving a wider-ranging clientele. The main problems faced by TEFL volunteers continued to be resistance

to change, restricted resources and a lack of local funds. However, as a result of working with PCVs, local teachers and principals have become more open to new ideas and made considerable changes and improvements to their curricula, libraries and teaching techniques.

- **Economic Development Volunteers:** Knowledge of Western business practices is in great demand in Kazakhstan, and there continues to be a shortage of local teachers trained in these subjects. Since 1993, economic development PCVs have been teaching Western business techniques to Kazakhstani entrepreneurs and students in secondary and post-secondary institutions. In just over six years, economic development PCVs have taught business skills to more than 2,000 Kazakhstanis. Students, teachers and entrepreneurs learned Western business skills, ranging from business-plan creation, small-business start-up and sustainability to the more general transfer of knowledge on business-related subjects.
- **Public Health Volunteers:** Public health PCVs focused on maternal, child and youth health, including HIV/AIDS awareness, sex education, and the transition from curative medicine to preventive health care. PCVs helped develop family practice concepts, as well as the organizational and management skills of nascent health NGOs and family practice clinics. In addition to working in AIDS centers, clinics and local NGOs, PCVs also implemented independent secondary projects such as teaching health classes in schools and organizing community events for occasions such as World AIDS Awareness Day and health fairs.
- **Environmental Education Volunteers:** Environmental education PCVs worked in Kazakhstani secondary schools, universities and NGOs, helping local teachers develop environmental curricula, with an emphasis on training teachers in lesson planning. The PCVs also helped establish and manage environmental NGOs, providing training and start-up assistance to NGO members, including assistance with project planning and management. With resources provided by the PCVs, these NGOs were able to increase their contacts with other Kazakhstani and international environmental NGOs, giving them access to updated environmental data, techniques and information; additional staff training; and project funding. PCVs conducted environmental projects in their host communities, such as summer ecological camps, Earth Day events, cleaning riverbanks and other environmental awareness projects.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2000, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2001 Programs

In FY 2001, the U.S. Government will continue to focus on providing assistance directly to Kazakhstan's regions through the Atyrau Regional Initiative and in Southern Kazakhstan. The U.S. Government will also continue to highlight assistance in the areas of counter-terrorism, counter-narcotics, nonproliferation, export control and border security. Ongoing programs under the Central Asia Border Security Initiative will continue to be expanded. The Government of Kazakhstan has expressed interest in acquiring radar equipment through the Excess Defense Articles (EDA) Program in FY 2001. The U.S. Embassy in Almaty is looking into the feasibility of procuring these items.

In FY 2001, USAID's assistance priorities will include assistance to promote enterprise growth, civil society development, information dissemination, improved health care and environmental management. Secondary priorities will include local government and fiscal reform. In the area of enterprise growth, USAID will focus on improving the business environment and business-related education in Kazakhstan, tax and budgetary reform, and financial mechanisms such as insurance, mortgages and micro-credit. In the area of civil society development, USAID will place a greater emphasis on the sustainability of civic organizations while continuing to strengthen NGOs' capacity to engage in citizen advocacy. In particular, USAID will devote more attention to information dissemination and civic education activities, especially those targeted at youth. In addition, USAID will make a special effort to increase the knowledge of health providers and patients, particularly about preventive health care, infectious diseases and reproductive health. USAID will direct its environmental efforts at increasing citizen participation in key decisions, building the capacity of local governments to manage

environmental issues, and improving the national policy framework. USAID will also continue to focus on energy efficiency, regional water management, and the impacts of oil and gas development on the Caspian Sea.

KYRGYZSTAN

Political Overview

Kyrgyzstan's most significant political events of 2000 were the parliamentary elections held in February-March, the return of armed insurgents in August-September, and the presidential election held in October. Although Kyrgyzstan generally has the legislative basis to be able to conduct free and fair elections, international observers concluded that the conduct of both the parliamentary and presidential elections was seriously flawed, did not meet international standards and constituted a setback in Kyrgyzstan's democratic reform process. In the run-up to both elections, the Kyrgyz Government took numerous actions that disadvantaged opposition candidates and political parties. The government also put pressure on the country's independent media and civil society organizations, although some of them were nevertheless able to engage in certain election-related activities. For the second year in a row, Kyrgyzstan's security was threatened by a group of armed insurgents led by the Islamic Movement of Uzbekistan (IMU), who entered southern Kyrgyzstan in August with the goal of crossing into Uzbekistan and overthrowing the Uzbekistani Government. The insurgents took several foreign tourists hostage, including four Americans. All of the foreign hostages escaped unharmed, although several Kyrgyz soldiers captured with them were executed. The Kyrgyz Armed Forces managed to push the insurgents out of the country with minimal use of force and appropriate concern for the civilian population. Although the Kyrgyz Government was better prepared for this year's incursion and dealt with it successfully, Kyrgyzstan's southern border remains vulnerable to renewed incursions.

The parliament elected in Kyrgyzstan in FY 2000 was not as assertive as the previous parliament had been against the dominance of executive-branch power in Kyrgyzstan's political system. The combination of many newly elected, inexperienced members of parliament, together with a widespread preoccupation with presidential politics leading up to the October election, resulted in a largely ineffective parliamentary session. However, the judicial branch remained Kyrgyzstan's weakest branch of government. Despite extensive reforms in the court system and a large body of new law, the executive branch continued to dominate the judiciary. The Kyrgyz Government used the judicial process to eliminate key political opposition leaders from participating in both the parliamentary and presidential elections, thus narrowing the range of choices available to voters. Kyrgyzstan's independent media also came under increased government harassment and pressure in the form of judicial proceedings, tax investigations, raids and interrogations, and interference with programming. Religious tolerance was practiced widely, although some religious groups occasionally experienced bureaucratic difficulties when trying to register.

Economic Overview

Kyrgyzstan is a landlocked country with limited natural resources and industrial production. After years of economic decline exacerbated by the 1998 Russian financial crisis, Kyrgyzstan's economy has recovered slowly and enjoyed monetary stability and modest overall growth in FY 2000. After decreasing to 16.8 percent in FY 1997 and FY 1998 and rising sharply to 39.9 percent in 1999, Kyrgyzstan's inflation rate stabilized at a low 5.8 percent for the first nine months of 2000. Annualized interest rates on 12-month government bonds approached 40.1 percent as of October 2000, and commercial lending rates at 32.5 percent per annum in som (the national currency) and 24.3 percent in foreign currency were too high to encourage business development. Gold revenues remained weak throughout 2000. However, the som remained stable, with the current exchange rate of 48 to the dollar virtually unchanged during FY 2000. Unemployment rates remained stubbornly high throughout the country, particularly in the Osh Region in southern Kyrgyzstan. In 2000, Kyrgyzstan's economic growth rate is expected to reach 6.3 percent—a major reversal from the negative growth rates of 1998 and 1999.

Although about 60 percent of Kyrgyzstan's economy was in private hands by 1997, there has been virtually no further privatization since that time. The political will to forge the compromises necessary to advance privatization in key "crown jewel" sectors such as telecommunications, energy and mining is still lacking. One positive development was the growth of Kyrgyzstan's stock market, which was established with USAID support and which registered a total volume of trade in 1999 of \$6.32 million—5.3 times greater than in 1998. Having

become the first NIS country to join the World Trade Organization (WTO) in December 1998, Kyrgyzstan continued to work on meeting its post-accession requirements and commitments during FY 2000, receiving targeted U.S. Government assistance in this area.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$66.09 million in assistance to Kyrgyzstan, including \$30.10 million in FREEDOM Support Act assistance, \$14.70 million in U.S. Department of Agriculture (USDA) assistance, \$3.47 million in other U.S. Government assistance, and \$17.83 million in U.S. Defense Department excess and privately donated humanitarian commodities. U.S. Government-funded assistance programs focused mainly on economic reform, democratic reform, social transition, and security initiatives. As has been the case for the past several years, although the Kyrgyz Government was generally very receptive to U.S. Government-funded assistance programs, it did not always follow through with full institutional support.

Trade and Investment, Business and Economic Development Programs

Central Asian-American Enterprise Fund (CAAEF): Currency devaluation, incomplete privatization, and a weak, under-capitalized banking system have resulted in diminished opportunities for profitable equity investments in Kyrgyzstan. Therefore, the CAAEF's activities during FY 2000 focused on small and micro-lending to Kyrgyz businesses. (Please see USAID Micro-Lending Programs section below).

USAID Support on WTO-Related Issues: In FY 2000, USAID continued to assist the Kyrgyz Government with WTO post-accession implementation issues and provide ad hoc advice. The focus of this assistance has shifted to promoting the regional exporting of goods produced by small and medium-sized enterprises (SMEs) and to marketing issues. USAID is also helping Kyrgyzstan's State Customs Inspectorate modernize and simplify its customs procedures and establish a post-import audit team that will carry out audits in collaboration with the State Tax Inspectorate.

USAID Accounting Reform Programs: From April 1999 through September 2000, a total of 5,048 accountants, auditors, trainers, teachers, regulators, information technology specialists, tax inspectors and students completed the 60-hour financial accounting course offered through USAID's accounting program, which was implemented by Carana Corporation with the assistance of local training providers. In addition, over 10,500 accounting students in 40 universities completed the academic version of the course during the 1999-2000 academic year.

USAID Fiscal Reform Programs: In FY 2000, USAID helped Kyrgyzstan's Ministry of Finance and Tax Inspectorate formulate and implement economic restructuring policies. This assistance included an analysis of the new tax code, technical assistance for the development of an automated tax information system, and assistance with government budget planning and the formulation of budget policies at the national and local levels. In addition, USAID-funded advisors are working with the Office of the President and the Kyrgyz Parliament to improve the budget process.

USAID Land Reform Project: USAID is seeking to help establish the institutional infrastructure for private land ownership in Kyrgyzstan. This effort involves facilitating the implementation of private land ownership and the development of supporting institutions and administrative systems to ensure that the benefits of private land ownership accrue to the new landowners. USAID's Land Reform Project is leveraging its achievements in land reform by working closely with the USAID-funded Project on Legal Infrastructure, implemented by Associates in Rural Development (ARD)/Checchi. This synergy among USAID-funded projects will extend the reach of ARD/Checchi's judicial training and create practical implementation manuals, which will help land-market participants understand their rights of ownership and how they can utilize these rights in a practical economic sense.

USAID Regional Small and Medium-Sized Enterprise (SME) Development Project: USAID launched a new SME Development Project for Central Asia in fall 2000. Managed by the Pragma Corporation, the project will develop business training courses, provide business advisory services and facilitate the development of business associations and business advocacy. This project is one component of a larger regional effort in Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan to improve the environment for SMEs and enhance their managerial capabilities.

USAID Micro-Lending Programs: With USAID support, the Foundation for International Community Assistance (FINCA) is developing sustainable savings and micro-credit services in the regions of Chui, Osh, Jalalabad, Issyk Kul, Naryn and Batken. Since the program's inception, \$19.8 million in loans has been disbursed to 131,269 clients, 90 percent of whom are women. In addition, FINCA continues to expand its Small-Enterprise Loan Program, which has disbursed over \$757,000 while maintaining a repayment rate of over 98.6 percent. As of the end of FY 2000, 602 of FINCA's small-enterprise clients had a total of \$148,335 in loans outstanding. In addition to the assistance provided by FINCA, Mercy Corps International (MCI) is implementing an SME credit program funded by the Central Asian - American Enterprise Fund (CAAEF). Through offices in Bishkek, Osh and Jalalabad, MCI disburses loans ranging from \$500 to \$25,000 for terms of three months to two years with a 35-percent annual interest rate, to support SME activity. During its two years of operations, the MCI program has disbursed 1,043 loans totaling \$4.7 million. Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) began providing rural credit in the Osh Region in 1997 in the form of seasonal agricultural loans and working capital loans for micro-, small and medium-sized enterprises engaged in animal-fattening and stall-feeding. In FY 2000, ACDI/VOCA disbursed 361 loans totaling \$ 590,000 in Chui, Jalalabad and Osh. ACDI/VOCA prices all of its loans at market rates and has a current portfolio yield of 29 percent, an average loan term of 10 months, and an average loan recovery rate of 83 percent. In addition, ACDI/VOCA facilitated the registration of the Bai Tushum Financial Foundation, a not-for-profit organization dedicated to promoting the social and economic development of rural and urban sectors. The Foundation provides loans, technical assistance and related services to individuals and institutions, investing in organizations that advance its goals and objectives. All income generated through the Foundation's operations will be reinvested into the Foundation for further lending.

Training and Exchange Programs

Since FY 1993, U.S. Government-funded exchange programs have brought some 1,850 Kyrgyz citizens to the United States for short-term professional or long-term academic training, including some 215 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

U.S. Department of State – Public Diplomacy Exchanges and Partnerships: In FY 2000, approximately 140 Kyrgyz citizens traveled to the United States under academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). Academic exchange programs included approximately 65 participants in long-term (one academic year or longer) high school, undergraduate, graduate exchange programs. Five Kyrgyz Fulbright scholars traveled to the United States, and three U.S. Fulbright scholars came to Kyrgyzstan in FY 2000. In addition, the Public Affairs Section actively supported university partnerships with the goals of training faculty and administrators and developing or revising programs of study at institutions of higher education in Kyrgyzstan. FY 2000 saw the completion of the first full academic year of a three-year partnership between the American University in Kyrgyzstan and Indiana University in six social science and professional fields. Notably, the provost of the American University of Kyrgyzstan was recently appointed Kyrgyzstan's Minister of Education. Another partnership between the University of Michigan and the International University of Kyrgyzstan is ongoing in the field of education. Over 30 Kyrgyz participants in key fields traveled to the United States under the International Visitor (IV) Program to meet with U.S. counterparts and enhance their skills. Among the other professional programs organized by the ECA Bureau was a women's leadership program.

USAID Training: In FY 2000, USAID trained over 900 Kyrgyz citizens in the areas of economic restructuring, democratic reform and social stabilization: some 730 in in-country programs, 150 in third-country programs and 50 in U.S.-based programs. As of the end of FY 2000, over 2,800 Kyrgyz citizens had participated in USAID-funded training programs. In addition to working with the Kyrgyz Government to provide trainers for municipal training centers in international accounting standards (IAS), USAID also funded training on the topics of fiscal reform, accounting standards, court administration, family medicine and health reform, legislative drafting, and NGO-sector development.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: Under USDA's Cochran Program, 18 Kyrgyz participants completed agricultural training in the United States in FY 2000. (Please see the U.S. Department of Agriculture – Cochran Fellowship Program section in Part III of this report.)

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2000, the SABIT Program provided internships for four Kyrgyz participants. (Please see the U.S. Commerce Department - SABIT section in Part III of this report.)

Democracy Programs

USAID Democracy Programs: In FY 2000, USAID-funded democracy programs continued to focus on increasing citizen participation in economic and political decision-making processes, by supporting civic initiatives and providing training for NGO and community leaders at the local level. During the run-up to Kyrgyzstan's problematic parliamentary and presidential elections, USAID provided financial and technical assistance to Kyrgyz NGOs engaged in voter education and domestic monitoring efforts, as well as limited technical assistance to the Central Election Commission (CEC). In addition, USAID funded a small civic-participation grant competition to promote non-partisan voter education, voter mobilization, and media monitoring projects. Although Kyrgyzstan has a progressive legislative basis to facilitate the role of NGOs and political parties in the country's democratic development, Kyrgyz Government restrictions and pressure over the past year have made it increasingly difficult for these groups to play that role.

Democracy Fund Small Grants Program: Under this program administered by the U.S. Embassy's Public Affairs Section, the U.S. Embassy's Democracy Commission awarded 12 grants totaling \$80,000 in support of women's and students' organizations, independent media, civic and legal education, public debates promoting civil society development, and media coverage of election issues. The Public Affairs Section is working with USAID to enhance the Democracy Commission's outreach to Kyrgyzstan's regions.

U.S. Department of State – Law Enforcement Training: In FY 2000, the Bureau of International Narcotics and Law Enforcement Affairs (INL) and its partner U.S. Government law enforcement agencies provided approximately \$120,000 in law enforcement training to Kyrgyzstan, focusing on customs, non-proliferation and narcotics interdiction.

Security Programs

In FY 2000, U.S. Government-funded security assistance to Kyrgyzstan focused on nonproliferation, border security, regional security and peacekeeping. The repeated incursions by militants into southwest Kyrgyzstan, combined with ongoing events in Southwest Asia and the Northern Caucasus, drew attention to the need to enhance the export control and border security capabilities of Kyrgyzstan and its neighboring Central Asian states. To this end, during her April 2000 visit to Bishkek, Secretary Albright announced that up to \$3 million in U.S. assistance would be provided under the Central Asian Border Security Initiative (CASI) through security assistance programs focused on anti-terrorism and interdicting the smuggling of weapons of mass destruction, dual use weapons, and narcotics. Kyrgyzstan participates in NATO's Euro-Atlantic Partnership Council and the Partnership for Peace, and was an early supporter of the Central Asian Peacekeeping Battalion concept. In FY 2000, the Government of Kyrgyzstan continued to regularly attend and actively participate in regional and multilateral fora on security, including those sponsored by the United Nations, the Organization for Security and Cooperation in Europe (OSCE) and the U.S. Government.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2000, the U.S. Government provided \$2.99 million in EXBS assistance to Kyrgyzstan—the largest of the programs under the Central Asian Border Security Initiative (CASI). This assistance focused on providing equipment, training and infrastructure support to develop and strengthen border security detection, interdiction and enforcement capabilities of customs, border guard and other border security and law enforcement organizations. Assistance also includes support for a dedicated communications link to facilitate Kyrgyzstan's exchange of information with its neighbors on border security problems and transnational threats. In May 2000, intensive discussions were held between U.S. and Kyrgyz customs, border guard, law enforcement and counter-terrorism officials to identify and agree on assistance priorities. Priority assistance included portable communications systems (radios), night-vision goggles, mountaineering equipment and training, radiation detectors and narcotics testing kits. As of the end of FY 2000, plans were in place for an EXBS program advisor to be assigned to the U.S. Embassy in Bishkek and initial equipment deliveries and training were completed. Kyrgyzstan has agreed to host the next U.S. Commerce Department-sponsored Central Asia and Caucasus Regional Forum in spring 2001.

U.S. Department of Defense (DoD) – Cooperative Threat Reduction (CTR or “Nunn-Lugar” Program):

A minimal amount of assistance has been provided to Kyrgyzstan under the CTR Program. Approximately \$280,000 was allocated to Kyrgyzstan under the CTR Program to support military-to-military contact programs managed by the U.S. Central Command (CENTCOM).

Foreign Military Financing (FMF), Partnership for Peace: In FY 2000, Kyrgyzstan received \$1.0 million under the FMF Program. The Kyrgyz Government used these and prior-year funds to purchase items such as 150 sets of night vision goggles, five high-frequency radio base stations, 300 sets of load-bearing equipment and 3,000 desert camouflage uniforms. Under Partnership for Peace (PFP) programs jointly sponsored by NATO and the U.S. Government's Warsaw Initiative, Kyrgyz military officials attended planning conferences, joint exercises and other events. Kyrgyzstan was allocated an estimated \$250,000 in Warsaw Initiative funding for NATO/PFP exercises in FY 2000.

International Military Education and Training (IMET) Program: Kyrgyzstan is an enthusiastic participant in NATO's Euro-Atlantic Partnership Council and the Partnership for Peace, and was an early supporter of the Central Asian Peacekeeping Battalion (CENTRASBAT) concept. Since August 1994, over 70 Kyrgyz officials, both military and civilian, have attended training programs at DoD's George C. Marshall Center in Germany. In FY 2000, Kyrgyzstan expended \$363,000 in IMET funds. Under the IMET Program, nine Kyrgyz military officers from the Ministry of Defense (MOD), Kyrgyz National Guard (KGNG), and Ministry of Emergency Situations and Civil Defense (MES) received a full year of English-language instruction and follow-on military training. The MOD, KGNG and MES also participated in a state partnership program with the Montana National Guard, which included medical assistance visits, basic infantry training, and mountain rescue and survival training. IMET-funded English language laboratories have been established at the MOD, KGNG and MES, with a fourth language lab to be installed at peacekeeping battalion headquarters at Koi Tash in FY 2001. Also in FY 2001, an Expanded IMET (E-IMET) seminar on civil-military relations will be held in Bishkek with participants from the MOD, the Military Court, the Parliament, the Presidential Administration, and other military and civilian organizations.

U.S. Department of State – Other Non-Proliferation Programs: In FY 2000, Kyrgyzstan participated in research projects as a member of the U.S. Government-supported International Science and Technology Center (ISTC), as well as in projects supported by the U.S. Civilian Research and Development Foundation (CRDF).

Energy and Environmental Programs

USAID Power-Sector Programs: With the assistance of USAID-funded advisors provided by the PA Consulting Group, the Government of Kyrgyzstan adopted an action plan for the restructuring of state companies in the power sector. In addition, the Government approved a structural reform loan from the International Development Association (IDA), which included the conditions recommended by USAID-funded advisors, for initiating and carrying out the privatization of the country's power distribution companies. The State Energy Agency, an independent regulatory body set up with the assistance of USAID-funded advisors, received additional training in the following subjects: data management, Internet, English language, conducting public hearings, privatization, restructuring and unbundling. In addition, USAID-funded advisors helped prepare a regulatory information manual for the State Energy Agency.

USAID Water Management Programs: In FY 2000, Kyrgyzstan's water managers developed and received training in the use of a regional water-use optimization model for the Syr Darya Basin. This model will help water managers plan the use of water resources for both energy and irrigation purposes in the region. Several training projects took place in FY 2000, including one that gave Kyrgyz participants a chance to tour local-level water management facilities and water user associations in the United States.

Social Sector and Humanitarian Programs

USAID Health-Care Reform Programs: Kyrgyzstan continued to move forward in implementing all the components of a new health reform model designed and tested by USAID, which emphasizes integrated quality health care at the primary level. In close collaboration with the World Bank, USAID continued to replicate the Issyk Kul family group practice (FGP) demonstration project on a nationwide scale: 409 family group practices are now operating, family group associations have been created, and a new clinical information system has been introduced. In addition, clinical training was provided to FGP physicians and nurses in four *oblasts*

(regions) and Bishkek, and USAID supported the implementation of medical marketing and health promotion campaigns. By June 2000, over 85 percent of the population was enrolled in FGPs. The population database, based on enrollment, was strengthened and began to be used as the basis for capitated-rate payment (based on a fixed cost per person) to health-care service providers. In June 2000, the FGPs incorporated infectious disease control and reproductive health in their list of priority areas.

USAID Infectious Disease Programs: In FY 2000, USAID supported anti-tuberculosis activities through the U.S. NGO Project Hope and anti-hepatitis activities through the U.S. Centers for Disease Control and Prevention (CDC). Project Hope provided clinical and laboratory training in tuberculosis treatment methods in Bishkek, Osh and Jalalabad. CDC continued to strengthen and monitor sentinel surveillance sites in Bishkek, Jalalabad and Naryn and provided guidance on receiving assistance from the Global Alliance for Vaccines and Immunizations (GAVI) to introduce hepatitis-B vaccine.

USAID Health Partnership Program: In FY 2000, USAID continued to fund the American International Health Alliance's (AIHA) Health Partnership Program in Kyrgyzstan. An AIHA-supported partnership between the Kyrgyz Medical Academy and the University of Nevada School of Medicine is focusing on developing primary health care, with an emphasis on educating health professionals. The project is concentrating on faculty and curriculum development, and on producing related educational materials, for training and retraining community-based primary care practitioners, nurses and health-care administrators.

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2000, USDA allocated \$12 million for the provision of approximately 60,000 metric tons of wheat to the Government of Kyrgyzstan. In addition, under an FY 1999-funded program, approximately \$ 6.9 million in targeted food was delivered through three U.S. private voluntary organizations: Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), the American Association of the Hematologists of the World for Children, and Mercy Corps International.

U.S. Department of State – Operation Provide Hope: Since 1992, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS has provided \$132 million in humanitarian assistance to Kyrgyzstan. In FY 2000, the Coordinator's Office expended \$1.12 million in transportation and grant funds to deliver \$17.83 million in targeted humanitarian assistance to the people of Kyrgyzstan. A number of small and medium-sized cargoes were delivered through U.S. charitable organizations, but the majority of this assistance was delivered in the form of high-value pharmaceuticals by the private voluntary organizations (PVOs) CitiHope and Provide Hope and in the form of U.S. Defense Department excess property through Counterpart International.

Cross-Sectoral Programs

Peace Corps: In FY 2000, 65 Peace Corps volunteers were working in Kyrgyzstan. The volunteers worked primarily in rural parts of the country, focusing on small-business development, English language teaching and environmental education.

Eurasia Foundation: In FY 2000, the Eurasia Foundation's regional office awarded 17 grants totaling approximately \$270,800 to Kyrgyz NGOs working in the areas of civil society-building, private enterprise development, public administration and public policy. (Please see Eurasia Foundation section in Part III of this report.)

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2000, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2001 Programs

The U.S. Government will continue to provide extensive assistance to Kyrgyzstan to enhance its ability to control its borders, prevent the proliferation of weapons of mass destruction and associated technologies and expertise, and participate in regional peacekeeping formations and Partnership for Peace activities. Continuing scientific collaboration programs will help prevent proliferation of weapons expertise and will redirect former Soviet weapons experts to peaceful pursuits.

The U.S. Government will encourage Kyrgyzstan to move forward with economic reform and create a business climate conducive to investment in order to decrease unemployment and thereby reduce the possibility that disenfranchised young people, particularly in southern Kyrgyzstan, will be attracted to the militant ideology of Islamic insurgents.

Kyrgyzstan's 2000 parliamentary and presidential elections underscored the vulnerability of the country's NGOs and independent media to government pressure and intimidation. Priority areas for U.S. Government-funded democracy assistance will be providing training and resources for independent, non-partisan NGOs to further develop their institutional capacities and expand their areas of activity. The U.S. Government will continue to work to strengthen the civil society sector and support the development of grassroots organizations, as well as encourage to greater citizen participation in efforts to make the Kyrgyz Government more responsive to the needs of the Kyrgyz people. The U.S. Government will also continue its work to strengthen the independent media and to help journalists further hone their professional skills, and will continue to engage students and young professionals through academic and professional exchange programs.

In FY 2001, USAID will increase its activities in water management in Kyrgyzstan, conducting several training courses on technology and policy issues. A program with the U.S. National Oceanic and Atmospheric Administration (NOAA) will improve plan allocations and the ability to forecast water runoff. USAID will also implement a pilot demonstration project on the management of a water district in the Ferghana Valley. USAID-funded work on the development of trans-boundary agreements for shared water systems will also continue, with the goal of reducing tension over the control and use of water resources.

MOLDOVA

Political Overview

Although the Moldovan Government continued to support democracy and human rights in FY 2000, the country remained divided, with the region of Transnistria along the Ukrainian border controlled by separatist forces. The self-proclaimed government of Transnistria displayed neither democratic principles nor adequate respect for human rights. Since coming to power in December 2000, the Government of Prime Minister Dumitru Braghis has made steady progress in continuing Moldova's transition toward democracy. In July 2000, the Moldovan Parliament voted to amend the country's constitution to change the political system from a presidential republic to a parliamentary republic. Under the new system, the president will be elected by parliament rather than by popular vote. The new system was tested in December 2000, and no candidate received the necessary number of votes. Thus, action passed back to President Lucinschi, who has dissolved the parliament and called for new parliamentary elections in February 2001.

Economic Overview

Moldova made steady progress on economic reform in FY 2000. The macro-economic situation stabilized under the Braghis Government. Despite poor weather conditions that had a negative effect on agricultural output, real GDP for the first half of the year was 1.7 percent greater than for the same period in 1999. After considerably higher inflation in 1999, a cumulative inflation rate of 15.5 percent for the first nine months of 2000 confirmed a return to a more stable inflation pattern. Inflation was projected to be about 28 percent for the year. Moldova's national currency, the leu, remained within the 2000 Budget Law framework of between 12.3 and 13.0 leu per U.S. dollar. The Moldovan Government spent approximately one fourth of the consolidated budget on public debt service. It also reduced external debt toward the Russian gas company Gazprom by \$90 million. However, Moldova continued to depend on foreign sources—Gazprom in particular—for its energy needs. The electric energy supply situation has improved for most of the country, due to the privatization of three out of

Moldova's five electricity distribution companies by the Spanish company Union Fenosa. The Parliament's approval of the privatization of the country's tobacco and wine industries in October paved the way for the resumption of World Bank and International Monetary Fund (IMF) programs. Although the IMF and the World Bank decided in November 1999 to suspend \$45 million in credit for budget support in 2000, the new Braghis Government managed to keep the financial situation under control. The country's large external debt—more than a quarter of which is energy debt owed to Russia, Romania and Ukraine—amounted to nearly \$1.5 billion in 2000. Promoting economic growth and meeting its international debt payments are the two major challenges facing Moldova in 2001.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$106.82 million in assistance to Moldova, consisting of \$71.30 million in FREEDOM Support Act assistance, \$13.11 million in other U.S. Government assistance, and \$22.42 million in U.S. Defense Department excess and privately donated humanitarian commodities.

Of the FREEDOM Support Act-funded assistance, USAID programs accounted for approximately \$27.0 million, with land privatization and energy-sector privatization continuing to be the main foci of USAID's efforts. In addition, the U.S. Government continued to provide a substantial amount of law enforcement, border control, and non-proliferation assistance, as well as humanitarian demining assistance. Other humanitarian initiatives included USDA's Section 416(b) Program, which provided wheat flour to Moldova, particularly benefiting the country's pensioners, and a \$5 million USAID winter heat assistance program. In addition to helping the neediest sectors of Moldova's population, the U.S. Government continued to promote a competitive, market-oriented economy, sound fiscal policies, transparent and accountable governance, and agricultural development, notably through partnerships.

Training and Exchange Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 2,000 Moldovan citizens to the United States for short-term professional or long-term academic training, including some 350 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

USAID Training Programs: In FY 2000, USAID provided training to over 7,000 Moldovan citizens in a wide range of topics. USAID's Commercial Law Project provided training in the methodology of legal reform and the drafting of legislation, and the Fiscal Reform Project trained more than 1,000 Finance Ministry staff, tax collectors and civil servants in the areas of macroeconomics, fiscal policy and tax administration. USAID's Banking Project trained National Bank officials, commercial bankers and their staff on bank supervision and management, and the Accounting project provided training for over 500 enterprise accountants and financial managers in managerial techniques. More than 5,500 individuals representing some 3,000 enterprises were trained in various accounting disciplines. In addition, over 7,000 students were enrolled in the new USAID-supported accounting curriculum. Some 300 training workshops and over 20 publications and textbooks in various accounting fields were developed and offered in Romanian and Russian throughout the country. The training of local authorities, new private farmers and rural residents continued under the USAID-supported National Land Privatization (NLP) Program, with 34 different seminars on topics ranging from basic rights under private land ownership to economic planning for farmers. Since its inception in April 1998, the NLP Program has held almost 13,900 seminars for over 1.3 million participants, as well as individualized consultations and training for over 100,000 farmers and local authorities. With support from the American Bar Association's USAID-funded Central and East European Law Initiative (ABA/CEELI), the Moldovan Law Center held 20 seminars in six cities nationwide for 448 lawyers, judges and prosecutors, and the Environmental Protection Advocacy Center trained over 700 judges, lawyers and Environment Ministry employees on environmental protection issues. The USAID-supported International Foundation for Election Systems (IFES) trained 780 poll-workers through 13 regional seminars, and trained 30 election observers to monitor local elections and referenda in 15 localities.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2000, some 310 Moldovans traveled to the United States under academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). Some 55 high school, undergraduate and graduate students traveled to the United States on programs of one academic year or longer. Professional exchange program topics included educational reform, the principles of a market economy, agricultural reform, environment issues, the development of a free press, and the principles of transparent governance and public service. For example, the Community Connections Program placed four groups of Moldovan farmers in host communities in the United States, as well as groups of legal professionals and NGO representatives and public administrators. Participants in the International Visitors (IV) Program included the Deputy Minister of Foreign Affairs, the Deputy Minister of Justice, and members of the Moldovan Parliament.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2000, USDA's Cochran Program continued to support agricultural reform in Moldova, organizing short-term exchange programs for a total of 17 Moldovan agriculturists. (Please see the U.S. Department of Agriculture – Cochran Fellowship Program section in Part III of this report.)

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2000, the SABIT Program provided internships for two Moldovan participants. (Please see the U.S. Department of Commerce – SABIT section in Part III of this report.)

Trade and Investment Programs

USAID Commercial Law Reform Project: In FY 2000, USAID continued its efforts to develop a body of market-based commercial law. To replace the country's Soviet-era civil code, draft versions of a new civil code in the Romanian and Russian languages were finalized with USAID support, at the request of the Speaker of the Moldovan Parliament, and were introduced to the Parliament for discussion. USAID helped draft seven titles of a unified and market-based tax code, six of which were approved by the Moldovan Government and five of which were passed by the Parliament. The Commercial Law Project also focused on building the institutional capacity of the Moldovan Parliament, Ministry of Justice and the country's court system in the areas of legislative drafting and the management of legal information centers, and provided training to staff members and legal experts, including a U.S.-based program that gave Moldovan officials an opportunity to make contacts and exchange views with their U.S. counterparts. Participants in the U.S.-based program included the Minister and two Deputy Ministers of Justice, four chairpersons of parliamentary committees, the Chairman of the Economic Court, the Chairman of the District Court, and law professors.

U.S. Department of Commerce – Commercial Law Development Program (CLDP): In FY 2000, CLDP continued its efforts to help Moldova accede to the World Trade Organization (WTO) by providing technical assistance and training to the Moldovan Parliament, Ministry of Justice and the court system in drafting Moldova's new commercial law. (For more detail, please see Department of Commerce – CLDP in Part III of this report.)

Western NIS Enterprise Fund (WNISEF): In FY 2000, the WNISEF continued to provide equity investment to support the development of small and medium-sized businesses, with the goal of demonstrating the potential for investment in Moldova. In over five years of activity, the WNISEF has invested a total of \$11.3 million in Moldova for three projects: a glass manufacturing company, a beverage producing company and an agriculture distribution center employing over 700 people. In FY 2000, two new WNISEF investments in a micro-lending institution and the Moldova Agro-Ind-Bank were nearing conclusion, representing a total commitment of \$3 million.

Business Development and Economic Restructuring Programs

In FY 2000, the U.S. Government continued to promote agriculture-led growth as a basis for Moldova's future industrialization and export development. As of the end of the fiscal year, land reform approached completion, with 915 out of 929 former collective farms finalizing the distribution of their land and property, 783 of them having been completely liquidated, and 73 farms having been privatized under pilot farm privatization programs. By the end of 2000, Moldova had privatized virtually all collective agricultural land (except for land in separatist-controlled Transnistria), becoming the first NIS country to complete the privatization of agricultural land.

USAID Land Privatization Assistance: The National Land Privatization Program continued to be a central component of USAID assistance to Moldova in FY 2000. Thus far, 773,000 individual landowners, including 145,000 independent farmers, have been issued 2.35 million agriculture land titles, including 477,000 issued to independent farmers. Having designed a program to address the issue of collective farm debts in FY 1999, USAID-funded advisors and their Moldovan staff played an active role in facilitating the program's implementation. Under this program, historic debts to state and private creditors are being paid off and settled against social assets and other farm assets, with tax vouchers being issued to private creditors. The remaining property is being distributed and the collective farms are being liquidated, allowing the new private farms to operate debt-free. A total of 783 farms have been liquidated. Overall, the program has resolved over \$118 million in farm debts, both historical and current. To date, 1,840 enterprises have purchased their land, including almost 2,200 land parcels totaling approximately 860 hectares, and almost 2,500 secondary land sales. USAID also provided technical assistance for a pilot mortgage loan program involving two Moldovan commercial banks and ten savings and credit associations (SCAs) and targeting small and medium-sized farmers who wish to obtain credit to purchase agricultural land. The program successfully executed 26 mortgage loans through the commercial banks and another 13 loans through the SCAs.

USAID Private Farm Commercialization Program: In FY 2000, USAID and its implementing partner, the Citizens' Network for Foreign Affairs (CNFA), developed a strategy for assisting the new private farms emerging from the National Land Privatization Program and in particular, the thousands of Moldovan private farmers who are in urgent need of agricultural inputs, as well as technology, machinery services, markets, credit and a new market-based agricultural infrastructure. The overarching objective of this program is to create a privately owned crop and livestock input system geared to serve newly emerging private farmers at the village level and subsequently to foster a profitable cash market for their locally produced goods. To begin meeting this need, CNFA initially concentrated on developing five regional farm service centers. In FY 2000, a Private Farm Commercialization Program was added to the Agribusiness Partnership Program to reach more directly the small private farmer at the village level. Through this program, CNFA helped create 60 village-based model milk-receiving stations, ten of which are cooperatively owned. CNFA also helped create a vegetable-marketing association and a farm equipment dealership, and assisted with the development of village-based farm stores, ten of which were established in FY 2000.

USAID Fiscal Reform Programs: Moldova achieved steady progress in fiscal reform in FY 2000. The USAID-sponsored Center for Budgetary and Financial Analysis enhanced the Moldovan Parliament's capacity to deliberate on the annual budget law and act on fiscal reform legislation. The new tax code advanced significantly, with the effective implementation of the corporate and individual income tax and value-added tax. The Law on Local Government Public Finance became effective on January 1, 2000. Progress in tax administration helped increase tax collection by more than 40 percent in FY 2000 relative to FY 1999. The new Budget Process Law, implemented for the 2000 budget, focused on better management and control of expenditures through budget preparation and execution. Meanwhile, with USAID support, Moldova's new computerized treasury system became fully operational in all ten regional treasury offices. Moldova's new excise and property tax laws will be implemented beginning in January 2001.

USAID Banking Reform Programs: In FY 2000, USAID provided the Supervision Department of Moldova's National Bank with practical regulations in on-site inspection methodology, off-site analytical tools to provide early warning of impending problems, and problem-bank resolution techniques. With USAID's help, Moldova achieved significant results in putting into place the fundamentals of an effective bank supervision system, including the development of an on-site supervision manual and market-based regulations that began to conform to Western standards. Moldova's private commercial banks are playing an increasing role relative to the country's state-owned banks, with only two of twenty banks being partly owned by the state. Moldova's banking system is one of the leaders in banking sector reform in the region. In its 1999 Transition Report, the European Bank for Reconstruction and Development (EBRD) recognized Moldova's progress, placing Moldova in its top-rated group of former Soviet countries in the area of banking-sector reform.

USAID Accounting Reform Program: USAID's Accounting Project focused on helping the Moldovan Government draft and implement National Accounting Standards (NAS) and National Standards of Auditing (NSA) based on international practices. The Government officially published 26 NSAs, and ten remaining NSAs are due for publication in the near future. USAID also sought to build the capability of a self-sustaining Association of Professional Accountants and Auditors (ACAP), whose membership has grown to over 1,500 members. Moldova is the first NIS country to be recognized as an associate member of the International

Federation of Accountants (IFAC). With the help of USAID training, an estimated 20,000 Moldovan enterprises have converted to NAS, and over 10,000 students are presently enrolled in accounting courses developed with USAID assistance at Moldova's institutions of higher learning.

USAID Telecommunications Regulatory Reform Program: In order to facilitate the future restructuring and privatization of Moldova's telecommunications sector, in late FY 2000, USAID began providing advice on the establishment and proper functioning of the National Agency for Restructuring in the Telecommunications Sector, a new independent telecommunications regulatory body.

Democracy Programs

American Bar Association – Central and East European Law Initiative (ABA/CEELI): The USAID-funded ABA/CEELI program continued to support the Judicial Training Center of Moldova, which trained 830 judges, prosecutors, lawyers, investigators and other legal professionals in FY 2000. The Center also organized an international conference on fundraising and the overall sustainability of training centers, which was attended by participants from 17 countries. The ABA/CEELI-supported Moldovan Law Center held 20 seminars in six cities for 448 lawyers, judges and prosecutors. In addition, the Law Center published 20 books, including monographs, texts of legislation, legal guides, decisions of the Constitutional Court and the Court of Appeals, with the last two volumes of a 23-book series containing all the international treaties that Moldova has ratified, with commentary. ABA/CEELI also funded the publication of the first volume of expert commentary on Moldova's Constitution, with authors from the bench, bar and academia. ABA/CEELI presented four seminars in four cities to police, prosecutors, lawyers and judges on women's rights, published a series of pamphlets on trafficking and violence against women and distributed them widely throughout the country. ABA/CEELI also helped draft a new Law on Access to Information, and after its passage, printed its text in a booklet, together with relevant excerpts from international conventions, the Moldovan Constitution, and the text of an important decision on press freedom issued by Moldova's Supreme Court in summer 2000. A total of 1,500 copies of the booklet were printed and distributed to all of Moldova's judges and parliamentarians, as well as 200 journalists, including members of the Independent Journalism Center. ABA/CEELI also helped produce one television and four radio broadcasts on the subject of corruption. (See also Energy and Environmental Programs section below.)

International Foundation for Election Systems (IFES): With USAID support, IFES trained 780 poll-workers through 13 regional seminars in FY 2000, and trained 30 election observers to monitor local elections and referenda in 15 localities in Moldova. IFES organized an international conference on mass media; 50 electoral training programs for 1,250 youth representatives of political parties; and 25 roundtables on elections, local public administration and NGO development attended by more than 200 participants. IFES also printed six issues of *Civic Voice*, a bimonthly Romanian- and Russian-language newsletter focusing on democracy-building, 2,600 copies of a *Guide to Public Office*, and 600 copies of a brochure on the public-benefit status of non-commercial organizations. IFES produced 57 "Civic Voice" radio shows and 22 "Voice of the Voter" radio shows broadcast on the "Antenna C" radio station, which covers 60 percent of Moldova's territory. IFES also helped draft laws on political parties, non-commercial organizations, and on the procedure of electing the country's president. IFES-Moldova also launched a website (www.ifes.md).

USAID Local Government Reform Project: The Government of Moldova has initiated extensive local government reforms in the last three years, with the goal of strengthening local autonomy. USAID's Local Government Reform Project seeks to make this autonomy effective by facilitating fiscal decentralization, municipal development, and democracy and governance. Since the Project's inception in February 2000, USAID-funded experts have reviewed existing legislation on local governments and identified needed changes and improvements. They are now preparing drafts of amendments and new legislation to remove conflicts, gaps, and ambiguities in the laws. USAID-funded manuals and training programs have helped mayors make better use of existing laws, especially in the areas of budgeting and finance. USAID is also helping mayors' associations develop their training and consulting capabilities so that they can more effectively help their members, and is helping develop municipal services through three pilot municipal service centers in Soroca, Chisinau and Lapushna Counties, each with pilot projects in areas such as water supply, residential heating, solid waste management, local taxation, budgeting and treasury functions. USAID is also providing training in strategic planning to mayors' associations, as well as assistance to citizens' groups concerned with municipal services and local finance.

Democracy Fund Small Grants Program: In FY 2000, the U.S. Embassy's Democracy Commission awarded 45 grants totaling almost \$200,000 to Moldovan independent media and NGOs involved in a variety of activities, including civic education; the promotion of human rights, including the rights of women, children and the handicapped; and the development of community information and training centers. Three special grants were awarded for information campaigns to combat trafficking in women in Moldova. The grants helped the recipient organizations cover their operating expenses, including start-up equipment purchases, publication costs of newsletters, newspapers and informational materials; and seminars and workshops.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: The U.S. Government conducted a wide range of law enforcement and anti-corruption training programs in Moldova in FY 2000. Moldovan law enforcement officials from all levels also participated in U.S. Government-funded training seminars in the United States and other European countries. The training focused on a variety of high-priority issues, including techniques for combating corruption, economic crime and organized crime and preventing domestic violence. Planning was also under way on initiatives to combat trafficking in women. The U.S. Government helped upgrade the operational capabilities of Moldova's Police Academy and Customs Service. A center was opened to train Moldovan law enforcement officials in computer-based operations. The ACTTA Program also supported a Moldova-based U.S. Customs Service advisor as part of the multilateral Southeast European Cooperative Initiative (SECI).

Energy and Environmental Programs

Energy-Sector Programs: Moldova made progress in privatizing its power sector in FY 2000. With World Bank and USAID assistance, the Moldovan Government privatized three of the country's five energy distribution companies by selling them via competitive tender to Union Fenosa, Spain's third largest integrated electric power company. Positive results were immediately felt throughout the service territory of the three distribution companies: unscheduled power outages, which had been frequent, were practically eliminated. Moldova's remaining distribution companies, three energy-generation companies, and the Chisinau District Heating Company were expected to be privatized in early 2000, but as of the end of 2000 were still in state hands. Delays were due in part to renegotiations following damages to the power infrastructure caused by a severe ice storm. The prospects for privatizing the remaining distribution companies are significantly better than for other elements of the country's energy sector. In FY 2000, USAID continued to provide assistance to Moldova's National Agency for Energy Regulation in the areas of licensing, establishing tariffs and consumer standards, and sent the Agency's commissioners and staff to intensive two-week training sessions at the University of Florida's Public Utility Research Center (PURC). In addition, towards the end of the fiscal year, USAID initiated a new project aimed at supporting the national transmission grid's transition to commercial operation, and the U.S. Department of Energy initiated a program to help Moldova adopt a rigorous electricity least-cost planning process. This technical assistance will be implemented by one of the largest U.S. electric utility companies over the next one-and-a-half years.

American Bar Association – Central and East European Law Initiative (ABA/CEELI): The Environmental Protection Advocacy Center (EPAC), which ABA/CEELI opened in April 1999, presented 29 seminars to 761 legislators, judges, lawyers, and Environment Ministry workers in FY 2000. The EPAC provided consultations on environmental problems to 97 people, brought 25 lawsuits and concluded 16 of them, and published regular issues of an environmental newsletter. The EPAC also presented weekly radio programs on environmental issues, featuring expert commentary and answers to questions submitted by the broadcast audience. (See also Democracy Programs section above.)

Social Sector and Humanitarian Programs

Counterpart Humanitarian Assistance Program (CHAP): In FY 2000, the CHAP Program distributed \$8.35 million in agricultural equipment, tools, machinery, textile, clothing and pharmaceuticals through 533 local organizations in Moldova. Approximately 298,000 Moldovan citizens have benefited from CHAP's assistance, including some 275,000 farmers, as well as orphans, invalids, and the mentally disabled.

USAID Winter Heat Assistance Program: USAID's \$4.8 million Winter Heat Assistance Program for FY 2000 reached over 1,800 institutions—including orphanages, hospitals and schools—and benefited 565,000 individuals, including 155,000 pensioners and disabled people. In addition to funding the installation of generators and the repairing of heating facilities at selected institutions, the program funded \$4.1 million in

deliveries of coal and heating oil. A small, successful test program was implemented in Transnistria, providing \$100,000 in coal deliveries to 17 institutions. To complement these efforts, USAID also sponsored a successful winter-weatherizing program to increase the energy efficiency of eight needy institutions and one residential complex.

U.S. Department of Agriculture – Food Aid: In FY 2000, USDA provided 20,000 metric tons of food commodities to Moldova, including wheat, rice, beans and vegetable oil, under its Section 416 (b) Program. Distribution and use of these commodities was overseen by a U.S. private voluntary organization (PVO), the International Partnership for Human Development (IPHD). This program was valued at \$8.2 million.

Humanitarian Demining Program: In FY 1999, Moldova was included in the U.S. Government's Humanitarian Demining Program. The Moldovan Government had been able to clear six of the seven minefields that remained after the country's 1992 conflict, but it needed assistance in clearing the last remaining minefield, which is nearly 80 hectares in size. In FY 2000, equipment was delivered and training was conducted, enabling the Moldovan Army to begin demining operations in the country's last minefield, which was declared clear of mines in August, making Moldova the first country to be cleared fully of mines under this program.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS expended \$2.92 million to deliver \$22.41 million in humanitarian commodities to Moldova, including \$16 million in privately donated high-value pharmaceuticals, other privately donated commodities and U.S. Defense Department excess property. Excess medical equipment was installed at 11 medical facilities and 36 primary care clinics. Support was provided primarily through the U.S. PVOs Counterpart International and CitiHope.

U.S. Department of Defense (DoD) European Command (EUCOM) – Humanitarian Assistance: In FY 2000, EUCOM allocated \$286,000 for the renovation of three school heating systems. In addition, under its Excess Property Program, EUCOM allocated \$50,000 for the transportation of eight vehicles and two containers of household appliances, clothes, school furniture and office equipment to Moldova.

Security Programs

The ongoing Transnistrian separatist conflict, which is being exacerbated by the continued Russian military presence in Transnistria, remains a potential threat to regional security. To promote regional stability, the U.S. Government is supporting the efforts of the Organization for Security and Cooperation in Europe (OSCE) to negotiate a solution to the conflict and to facilitate the implementation of Russian military withdrawal commitments made in Istanbul in November 1999 through the State Department Military Relocation Program. U.S. Government-funded security assistance to Moldova is also aimed at preventing weapons proliferation. Moldova has engaged in an extensive Defense and Military Contacts program with the United States, has expanded its participation in Partnership for Peace (PFP) exercises, and has made effective use of limited International Military Education and Training (IMET) funds. In addition, Moldova has developed an active partnership program with the North Carolina National Guard.

Foreign Military Financing (FMF) Program: FY 2000 saw the continuation of a robust FMF program for Moldova at the same level of funding as last year, \$1.25 million. This year's funding priority was much-needed equipment for a newly established peacekeeping battalion. Moldova also used FMF funds to purchase additional communications equipment, topographic instruments, computers and personal equipment for soldiers.

International Military Education and Training (IMET) Program: Moldova received \$487,000 in IMET funding in FY 2000. Fifteen Moldovan officers received IMET-funded training, bringing to 70 the cumulative number of Moldovans that have participated in IMET training programs. In addition, two IMET-funded English language laboratories were upgraded with computer, audio and video equipment, and 45 Moldovans were trained under the Expanded IMET (E-IMET) Program. Moldovan graduates of IMET programs have consistently assumed positions of increased responsibility.

Partnership for Peace (PFP): Moldova continued to play an active role in PFP exercises and conferences in FY 2000. A total of 330 Moldovans participated in PFP exercises, and another 90 took part in PFP-related conferences, workshops and seminars. In addition, a major “In-the-Spirit-of-PFP” exercise was conducted in Moldova, involving over 300 U.S. Army Reservists, National Guard soldiers, and Naval Reservists, who joined forces with 180 Moldovan soldiers to build a medical clinic at an orphanage.

U.S. Military Liaison Team (MLT): The U.S. Military Liaison Team in Moldova began operations on January 31, 1999. In FY 2000, the MLT conducted 19 activities with the Moldovan National Army, 11 of which were familiarization visits to Germany or the United States, and eight of which involved visits of U.S. traveling contact teams to Moldova. A total of 219 soldiers from the National Army participated in MLT-sponsored activities.

Counter-Proliferation Programs: In late April, the U.S. Defense Department (DoD)/U.S. Customs Service (USCS) Counter-Proliferation Program sent 20 Moldovan Customs and Ministry of Internal Affairs officials, prosecutors and investigators to Washington State for a two-week nuclear non-proliferation training program. In early September, DoD and USCS conducted a five-day counter-proliferation investigative training session for Moldovan Customs officials in Chisinau focusing on the detection of imports and exports between Moldova and a number of other countries involving businesses with fictitious addresses—an element of fraud that is associated with the illegal transfer of dual-use goods. Nuclear detection devices installed with U.S. Government assistance on the Ukrainian-Moldovan border and Romanian-Moldovan border are now operational. The Moldovan Customs Service and a USCS resident advisor funded by the State Department’s Bureau of International Narcotics and Law Enforcement Affairs (INL) are monitoring the devices’ operations. In addition, the U.S. Department of State donated an x-ray van to the Moldovan Customs Service, the use of which is being supported by the USCS resident advisor. The Wisconsin Project, a U.S.-based NGO, provided copies of an export control database to the Moldovan Customs Service and the Ministry of Internal Affairs. The database is designed to help customs officials make export control decisions.

U.S. Department of State – Other Nonproliferation Programs: The U.S. Civilian Research and Development Foundation (CRDF) expanded its U.S. Government-funded efforts to help redirect former weapons scientists to civilian research, including the establishment of the Moldovan Research and Development Association (an independent science-funding organization based on the principles of competitive review), research proposal-writing seminars and a research competition targeted at Moldovan scientists. In addition, the Government of Moldova is pursuing accession to the U.S. Government-supported Science and Technology Center in Ukraine (STCU), a multilateral organization that provides peaceful research opportunities to former Soviet weapons scientists.

Cross-Sectoral Programs

Peace Corps: In FY 2000, the Peace Corps placed 80 volunteers (PCVs) in Moldova in three project areas: teaching English as a foreign language (TEFL), health education, and economic and organizational development. Moldova’s 39 TEFL PCVs, who were placed primarily in villages and towns, incorporated problem-solving, critical-thinking activities, and environmental content into their English-language curricula. The PCVs also organized workshops on new teaching techniques for local teachers. A total of 11 health education PCVs were primarily assigned to schools and community clinics in Moldova’s regional centers, where they taught a variety of preventative health topics, but mainly focused on teaching AIDS prevention and sex education—topics in which Moldovan teachers are not adequately trained. Working with several local youth NGOs, PCVs have conducted peer-training workshops on sex education in three regions of Moldova. In addition, 30 economic and organizational development PCVs worked as catalysts to improve the management and organizational skills of agricultural cooperatives, NGOs, and to an increasing extent, municipalities, as well as to promote economic (primarily agribusiness) and social-sector development. PCVs in all project sectors are focusing special attention on youth activities.

Eurasia Foundation: In FY 2000, due to an ongoing investigation of alleged improper handling of grant funds at its Regional Office in Kiev, Ukraine, the Eurasia Foundation made no new grants in Moldova. The Foundation focused on phasing out its active grant portfolio, closing out a total of 54 grant projects in private enterprise development, public administration and civil society, reviewed its programmatic and grant management procedures, and initiated planning for a revamped grants program.

Preview of FY 2001 Programs

The U.S. Government will continue to provide training in methods to combat money laundering, organized crime, public corruption, violence against women, auto theft, drug-related activity and sex crimes. Training of Moldovan law enforcement officials in computer and Internet use is also planned, as is continued assistance to the Moldovan Police Academy and forensic laboratories. In FY 2001, the Departments of Defense, State and Commerce, as well as the U.S. Customs Service, will continue to provide substantial assistance to prevent the proliferation of weapons of mass destruction, weapons technology and expertise in Moldova. Projects proposed under scientific collaboration programs will help prevent the proliferation of weapons expertise and redirect former Soviet weapons experts in Moldova to peaceful pursuits. The State Department's Export Control and Related Border Security (EXBS) Program will provide additional equipment and training to enhance the ability of the Customs Service and Border Guards to prevent illicit trafficking in weapons of mass destruction, associated materials and conventional arms. An EXBS advisor posted to the U.S. Embassy in Kiev will work closely with the resident U.S. Customs Service advisor in Chisinau to ensure that this program provides complementary, non-duplicative assistance to Moldovan Government agencies. In addition, the U.S. Government will continue to offer military relocation assistance to facilitate the removal of Russian forces from Moldova, as well as ammunition and equipment destruction and disposal. This assistance will be made available if and when Russian troop and equipment withdrawals take place within the framework of OSCE agreements.

In FY 2001, USAID-funded technical assistance programs will help Moldova make the transition from stabilization to growth. The major focus of USAID's efforts will continue to be economic restructuring. USAID's Fiscal Reform Program will seek to help the Moldovan Government move toward achieving internal and external balances, and adopt fiscal policy that focuses more on promoting economic growth through tax incentives with an emphasis on small and medium-sized enterprises, small farmers and agribusiness. USAID will continue its energy-sector privatization activities and will implement an agribusiness and post-privatization strategy by accelerating the construction of local and regional farm stores to provide new private farmers with agriculture inputs, credit, marketing and other much-needed assistance. A second major USAID-funded activity will establish a high-level entity to improve the policy, legal and regulatory environment in Moldova, with a focus on agriculture, and will establish private-sector-based farmers' associations and cooperatives. USAID is considering a third agricultural activity in the area of land market development. USAID will intensify its Local Government Reform Program, with the goal of spreading the benefits of market-based and democratic reform beyond the central government to the grassroots level.

RUSSIA

Political and Economic Overview

Russia began the year 2000 with a new head of state, marking the beginning of a new political era. On New Year's Eve 1999, President Yeltsin resigned after having served as president for nearly a decade. In accordance with the Russian Constitution, then-Prime Minister Vladimir Putin assumed presidential powers, and three months later, on March 26, 2000, was elected president in a first-round presidential election. In addition to electing a new president, Russian voters also elected a new State Duma (the lower house of parliament), which was sworn into office in January 2000. Unlike its predecessor, the current Duma is dominated by pro-government and centrist forces. The Communist Party and its leftist allies now hold less than 30 percent of the Duma's seats, and ultra-nationalist Vladimir Zhirinovskiy's Liberal Democratic Party (LDPR) holds only 3.5 percent. The advent of a more centrist Duma opened the way for President Putin and his Prime Minister, Mikhail Kasyanov, to pursue several items that had been languishing on the legislative agenda. These include several economic reform measures, as well as agenda items of international significance, such as the ratification of START II and the Comprehensive Test Ban Treaty.

In 2000, the outlook for Russia's economy brightened considerably, as compared to 1999. After a 3.2 percent GDP growth rate in 1999, Russia's GDP growth rate exceeded seven percent in 2000—the highest growth since the collapse of communism, and a sign that the Russian economy is recovering from the 1998 financial crisis. This recovery began in 1999, as the cheap ruble made Russian exports competitive and spurred the development of import-substitution industries, and accelerated in 2000, as oil prices soared. Russia's trade balance is experiencing its largest surplus ever (some \$40 billion), foreign exchange reserves have doubled since last year, and the government is running a budget surplus. However, as inflation (running at 20 to 22

percent per year) wears away the effects of the devalued ruble and with oil prices expected to moderate, growth is projected to fall to 3.5 to 4.0 percent in 2001. Industrial production was up for the year, having increased by 10 percent for the first six months, but appeared to be slowing at year's end. Cash payments continue to replace barter transactions.

Against the backdrop of these strong macroeconomic indicators, the Putin Government launched an ambitious reform program, spearheaded by Minister German Gref and his newly created Ministry of Economic Development and Trade. The program includes broad-ranging structural reforms, in the areas of budget, pension and social welfare, deregulation, judicial reform, reduction of subsidies, restructuring natural monopolies, and protection of property rights—all aimed at normalizing the economy and attracting foreign and domestic investment. The government registered some early and significant successes in implementing its reform program, notably securing Duma passage of the first part of a tax reform package that establishes a flat 13-percent personal income tax, reduces payroll taxes significantly and eliminates many loopholes. The Duma also passed a zero-deficit budget by a comfortable margin before the beginning of the new Russian fiscal year. However, as the government moves on to more difficult reforms such as restructuring the country's gas, electricity and rail monopolies—each of which are tied to vested interests—there are fears that reform momentum will stall. Reform of the banking sector is another area in which the government appears reluctant to take the necessary measures. The next critical indicator of continued forward movement in implementation of the reform program will be the promised introduction of a package of deregulation and judicial reform legislation in the Duma.

Despite Russia's increasingly broad-based economic recovery, deep problems persist. Crime and corruption, weak rule of law and poor corporate governance continue to impede foreign direct investment. Official unemployment is hovering around 11 percent or eight million, but the inclusion of hidden unemployment would push the figure to the 15- to 25-percent range. Average wages and incomes are also rising, but still remain about 25 percent below pre-crisis levels in real terms. However, wage arrears are decreasing due to the current upswing of the economy. The implementation of structural reforms, as laid out in the government's program, is key to solving these problems in the long run and making economic recovery sustainable.

President Putin has emphasized the importance of economic reform and the strengthening of a "dictatorship of the law." He has also taken steps to strengthen the central government's control over the regions. Laws supported by the president stripped regional leaders of their seats in the Federation Council (the upper house of parliament) and gave the president the power to remove them from office in extreme circumstances. Moreover, President Putin has established seven federal districts throughout Russia, appointing to each district a presidential representative charged with ensuring the primacy of federal law and the constitution. Although President Putin has publicly underscored his commitment to freedom of the press, concerns have been raised by developments that suggest the Kremlin is trying to expand its control over the media and information. These include apparent government efforts to expand its influence over NTV, the one nationwide television network not under government control; the detention and prosecution of Media-Most chairman Vladimir Gusinskiy and Radio Liberty correspondent Andrey Babitskiy; and the introduction of a new Information Security Doctrine. At year's end, the Russian Government also remained engaged in an anti-insurgency campaign against Chechen rebels that has caused widespread civilian casualties and destruction, displaced hundreds of thousands of people, and has been characterized by human rights abuses committed by both government and rebel troops.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$1.113 billion in assistance to Russia, including \$425.00 million in U.S. Defense Department (DoD) assistance, \$231.35 million in U.S. Energy Department (DOE) assistance, \$240.00 million in U.S. Agriculture Department (USDA) food aid, \$168.06 million in FREEDOM Support Act assistance, \$22.50 million in other U.S. Government assistance, and \$26.05 million in DoD excess and privately donated humanitarian commodities.

Of the \$168.06 million in FREEDOM Support Act-funded assistance to Russia, USAID programs accounted for approximately \$61 million, threat reduction programs accounted for approximately \$56 million, and State Department Public Diplomacy programs accounted for just over \$25 million. USAID assistance included approximately \$16 million for private-sector development and economic restructuring, \$14 million for democratic reform, \$11 million for health, \$4 million for environmental programs, and \$3 million for Urban Socio-Economic programs, \$3 million for exchanges, training and special initiatives, and \$7 million for the Eurasia Foundation. In

FY 2000, as in previous years, FREEDOM Support Act-funded assistance to the Government of Russia was subject to a 50-percent cut mandated by the U.S. Congress in connection with Russian transfers of nuclear technology to Iran.

Implementation Problems

Preserving the tax-free status of U.S. Government-funded assistance continued to be a challenge in FY 2000, although there was progress towards the end of the calendar year. On September 15, 2000, President Putin signed a decree authorizing value-added tax (VAT) reimbursements. Yet at the end of the fiscal year, Russian Government agencies were still struggling to interpret the complex regulations, and no reimbursements had been issued. As the end of calendar year 2000 approached, it appeared that the new Russian tax code (described above) would create new tax liabilities for expatriates living in Russia and working on U.S. Government-funded assistance programs. Just before the year ended, however, the Russian Government reaffirmed the validity of the 1992 U.S.-Russian agreement on technical and humanitarian assistance, which explicitly exempts from taxation all U.S. citizens and third-country nationals implementing U.S. Government-funded assistance programs in Russia.

USDA food aid programs ran relatively smoothly, except for delays and management problems in a few areas. As specified in the U.S.-Russian bilateral agreement covering these programs, USDA-provided food commodities continued to be delivered to designated regions, and the Russian Pension Fund received anticipated deposits of proceeds from the sale of these commodities on the open market. Still, arrears totaling 500 million rubles (\$18 million dollars) went uncollected from economically distressed regions, despite several collection attempts by Russian Government officials. In addition, there were unanticipated delays in depositing proceeds from the FY 2000 seed program into the Rural Cooperative Fund. Implementation of USDA's Food for Progress Program—under which commodities were distributed by U.S. private voluntary organizations (PVOs) to vulnerable population groups—went smoothly, except for quarantine issues that arose during a few customs inspections. The U.S. Government maintains a good working relationship with the Russian Government's Humanitarian Commission, which is working to solve these implementation problems.

In FY 2000, the Government of Russia cautiously began to consider expending the \$4.5 million available in Partnership for Peace/Foreign Military Financing (FMF) funds originally allocated in 1997 and 1998. Proposals have been submitted for the use of these funds, but are likely to be further held up pending internal legal debates in Russia on foreign military sales procedures.

Cross-Sectoral Programs

Regional Initiative (RI): In FY 2000, the U.S. Government's Regional Initiative (RI) continued its activities in three sites—Novgorod, Samara and Sakhalin/Khabarovsk—and began activities at its newest site, Tomsk. The planned phase-out of the Novgorod site was completed in early FY 2001. An RI coordinator was placed in Tomsk in mid-2000, and number of programs got under way at the site, even though its official opening has been delayed, pending the Russian Government's concurrence with the selection of Tomsk as the fourth RI site.

- **Novgorod RI:** The Novgorod RI's projects began to wind down in FY 2000 as the office approached the end of its work. The Novgorod RI office focused on sharing the lessons it has learned with other regions, and helped organize a regional conference to launch the transition of the U.S. Government's presence in Novgorod from an RI office to an "American Corner" information resource center sponsored by the Public Affairs Section of the U.S. Embassy in Moscow. Representatives from the U.S. Government, the Novgorod Regional Administration, and non-governmental organizations (NGOs), as well as over 200 representatives from 25 other Russian regions, participated in the conference. The Novgorod RI office closed on November 30, 2000.
- **Russian Far East (RFE) RI:** The Russian Far East RI (RFE-RI), which is based in both Khabarovsk and Sakhalin, had a very active year in FY 2000. The RFE-RI Coordinator facilitated ties between Sakhalin and Alaska, organizing major presentations in the United States and Russia on the Russian Far East's infrastructure development plans. These presentations promoted initiatives to reinvest oil profits into infrastructure development and energy efficiency projects. The RFE-RI also established links between the legislative subgroup of the U.S. West Coast - Russian Far East Ad Hoc Working Group and the RFE regions in order to help develop legislative support for creating conditions that favor business development and

increased trade and investment. The RFE-RI also assisted the Khabarovsk Investment Promotion Agency and worked closely with small-business associations in both Khabarovsk and Sakhalin to increase their membership and provide assistance to members, including micro-financing, leasing, business training, and Internet training and access. In both Khabarovsk and Sakhalin, the RFE-RI worked to strengthen indigenous anti-corruption initiatives and activities for alumni of U.S. Government-funded exchange programs. Through training, development grants and coordinational support, the RFE-RI helped launch commercially based environmental small businesses.

- Samara RI:** FY 2000 was a transitional yet productive year for the Samara RI. Governor Konstantin Titov called early elections, and was reelected in July. He is very enthusiastic about continuing cooperation with U.S. Government-funded technical assistance programs through the Samara RI. USAID completed a well-received program on International Accounting Standards (IAS) that resulted in the strengthening of a local Guild of Financiers, which continues to coordinate IAS training programs in the region. The availability of financing for small and medium-sized enterprises (SMEs) improved dramatically in FY 2000, showing that Samara's economy had stabilized and was once again developing in the wake of the August 1998 financial crisis. A USAID micro-financing project has given over 700 small entrepreneurs the chance to get small, collateral-free loans that are not available through the Russian banking system. The Samara and Togliatti branches of the KMB Bank, which is owned by the European Bank for Reconstruction and Development (EBRD) under a program funded in part by the U.S. Government, both showed a marked increase in loan disbursements to SMEs in FY 2000. The Samara RI's NGO development efforts also made significant strides in FY 2000. NGO support centers in Samara and Togliatti are providing consultations and technical assistance to hundreds of local NGOs. These centers have helped the Samara Region's NGOs unite and develop a common strategy for interaction with local governments and the business sector. Notably, the NGO support center in Togliatti has received grant-making funds from the local government and local businesses, which it has awarded to local NGOs through quarterly micro-grant competitions. In addition, USAID-funded programs to promote the rule of law have facilitated the establishment of Samara's first free legal clinic and provided training to bailiffs so that they can more effectively enforce court decisions, such as those relating to child-support payments.
- Tomsk RI:** In FY 2000, the RI made substantial progress in establishing a new RI site in Tomsk, which was chosen through a competitive search process. An RI Coordinator was placed Tomsk in mid-2000. In addition to encouraging existing U.S. Government-funded assistance programs in Russia (e.g., programs administered by USAID; the U.S. Embassy's Public Affairs Section; and the Departments of Agriculture, Commerce, Defense and Energy) to increase their operations in Tomsk *Oblast* (Region), the Tomsk RI is in the process of initiating some 13 new programs in FY 2000 and FY 2001, many of which build on the lessons learned in the other three RI regions. Program areas include public services and education, small business development, rule of law, civil-society strengthening, support for small cities and towns, addressing social needs, and science, technology and the environment. The Tomsk RI's operations have been complicated by the lack of an official agreement with the Government of Russia on the selection of a fourth RI region; however, program activities are under way.

Eurasia Foundation: In FY 2000, the Eurasia Foundation's field offices in Moscow, Saratov and Vladivostok awarded approximately 180 small grants totaling \$4.33 million throughout Russia. In addition to its "open-door" grant-making program, the Eurasia Foundation also implemented targeted initiatives to address specific issues. The Eurasia Foundation's Moscow office administered a joint program with the Open Society Institute to facilitate the integration of discharged military personnel into society. Along with the C.S. Mott Foundation, Ford Foundation, and Open Society Institute, the Eurasia Foundation awarded grants in FY 2000 for the second year of a program to support civic organizations which have demonstrated leadership and innovation in the following areas: fostering cross-sectoral collaboration in their communities or issue areas; promoting sustainable financial and institutional development strategies and practices by providing assistance to other civic organizations; and working with other organizations to improve the legal enabling environment for the non-profit sector. Also with financial support from the C.S. Mott Foundation, the Ford Foundation and the Open Society Institute, the Eurasia Foundation's NGO Resource Center Program helped foster cross-sectoral collaboration and helped Russian NGOs develop sustainable financial and institutional development strategies.

Economic Restructuring Programs

USAID Fiscal Reform Project: In FY 2000, USAID started a new fiscal reform activity to provide technical assistance to Russia's federal government, as well as assistance to regional and local governments in the area of intergovernmental fiscal relations. Through this project, USAID is also working to build the institutional capacity of the Center for Fiscal Policy (CFP), a Russian non-governmental organization that specializes in public finance and intergovernmental fiscal issues. At the federal level, USAID-funded technical experts worked with Duma deputies (members of parliament) and Russian Finance Ministry officials on several aspects of intergovernmental fiscal reform. The CFP drafted a model law on regional intergovernmental fiscal relations. In addition, at the request of the Ministry of Finance, the CFP developed several formal recommendations to reform fiscal relations within regions, in order to provide a more formal basis for negotiations between regional and local governments and create incentives for local governments to increase revenue collection and rationalize their spending. The CFP also continued working directly with several pilot regions to improve the effectiveness and transparency of intergovernmental financial transfers.

USAID Accounting Reform Programs: Two USAID projects continued to focus on the promotion and adoption of International Accounting Standards (IAS) in Russia. These projects conducted training and supported the translation of IAS and International Auditing Standards. The American Chamber of Commerce/International Center for Accounting Reform (ICAR) printed and distributed a practical guide to IAS and translated International Auditing Standards into Russian.

USAID Think-Tank Support Project: USAID continued to support the development of quality economic analyses for Russian policy-makers, by funding 30 working papers and 40 policy proposals developed by Russian experts at the Institute of the Economy in Transition (IET). Topics ranged from the restructuring of Russia's banking system to tax reform. Also with USAID funding, the Moscow Public Science Foundation awarded over 30 small grants to think tanks from various regions throughout Russia.

USAID Banking Reform Programs: In FY 2000, USAID provided \$1.5 million in banking-sector assistance and continued to work with other donors, including the World Bank and the European Union, to find ways to help restructure Russia's banking system. Through the Financial Services Volunteer Corps (FSVC), USAID provided technical assistance to Russian Central Bank officials and commercial bankers on legal and regulatory issues pertaining to the restructuring of commercial banks. At the request of the Central Bank, USAID initiated a new project to promote the adoption of IAS in the Russian banking sector.

USAID Mortgage Programs: USAID's Housing Sector Reform Project continued its efforts to develop the concept of mortgage lending in Russia by facilitating the January 2000 passage of a mortgage law that it had helped to draft. At the request of the State Duma, USAID initiated a new round of technical assistance on drafting the next stage of mortgage-related legislation. The USAID-supported Institute for Urban Economics (IUE) worked with federal policy-makers and Duma representatives on amendments to the Law on Mortgage, as well as amendments to relevant portions of the laws on real estate registration, real estate appraisal, securities operation, and the tax code. IUE experts also disseminated methodological guidelines on housing-mortgage lending for Russian bankers, and on leasing and on management of commercial real estate lending. In addition, IUE experts continued to provide consultations on the implementation of housing programs in the Russian Far East.

U.S. Department of the Treasury – Technical Advisors: In FY 2000, Treasury Department resident advisors worked in Russia in the areas of tax administration, financial-sector reform, and fiscal administration. (Please see the Treasury Department section in Part III of this report.)

Business and Economic Development Programs

USAID Small-Business Development Programs: In FY 2000, USAID's small-business development programs continued to have a regional and grassroots focus in Russia. The Moscow-based Entrepreneurial Business Services (EBS)-West Project and Vladivostok-based EBS-East Project concluded their first year of technical assistance, fielding over 465 U.S. business volunteers who completed over 1,500 assignments with Russian businesses. The Network Strengthening Project completed a small-grants program, providing \$885,000 to 33 business-support institutions across Russia, which also received USAID-funded management training. In addition to supporting business services, USAID continued to support the development of micro-

finance institutions in Russia. USAID initiated a new micro-credit program in Tomsk, bringing to five the total number of USAID's ongoing micro-credit activities in Russia. During FY 2000, these programs made over \$4.0 million in micro-loans to over 2,000 borrowers, bringing the overall totals since the program's inception to \$13.0 million provided to 10,600 clients.

The U.S.-Russia Investment Fund (TUSRIF): In FY 2000, TUSRIF continued its efforts to secure private financing by starting up Delta Capital Management, a private management company that now provides all of TUSRIF's management services. TUSRIF also entered two new areas of activity, establishing a subsidiary called "Delta Leasing" to provide lease financing, and "Delta Credit," Russia's first full-service mortgage operation. TUSRIF also purchased the Development and Restructuring Bank (DRB) in Moscow, which will serve as a base for TUSRIF's leasing, mortgage lending, and small-business credit activities, as well as introducing Russian citizens and companies to high-quality banking products, delivered openly and honestly. In the area of equity investment, TUSRIF continued to shift the emphasis of its holdings to the consumer products, telecommunications, media and technology sectors. Following a slowdown in 1999, all of these areas experienced growth in FY 2000. Some examples of new TUSRIF equity investments include "port.ru" (a Russian Internet portal) and a regional cable television venture. TUSRIF's direct investments totaled approximately \$8 million. By the end of FY 2000, TUSRIF's total investments since the beginning of the program totaled approximately \$148.5 million, and TUSRIF had drawn down a total of \$176.4 million from its USAID grant. Reflows are currently running at approximately \$7.5 million a year. TUSRIF continued to work with its existing equity investments during the year, with some notable successes, but the overall value of its portfolio is substantially less than the total funds invested. Despite the difficulties of doing business in the Russian Far East (RFE), TUSRIF focused its efforts on the region, although TUSRIF has shifted the focus of its RFE activities away from direct investments towards small-business lending and leasing. TUSRIF's current portfolio of RFE projects contains 62 loans and six leases, totaling \$2.9 million. TUSRIF expects substantially increased demand for all of its programs in FY 2001.

European Bank for Reconstruction and Development (EBRD) Russian Small-Business Fund (RSBF):

Since its inception in 1994, the EBRD's Russian Small-Business Fund (RSBF), which receives significant support from the U.S. Government, distributed more than \$455 million in loans through its partner banks. The RSBF, whose loan volumes now exceed the levels reached prior to the August 1998 financial crisis, disbursed over 1,400 loans in August 2000 alone. This represents the highest number of loans disbursed in a single month since the RSBF began operations in 1994. As of September 1, 2000, the total dollar amount of loans in the RSBF's small and micro-loan portfolios has increased by over 19 percent since December 1999. In addition, arrears rates in RSBF partner banks are back to pre-crisis levels for both small-business loans and micro-loans.

Peace Corps – Business Education Project: In FY 2000, 23 Peace Corps volunteers (PCVs) taught a wide range of courses on contemporary business theory and practice in universities, institutes, business centers, secondary schools and orphanages throughout western Russia. These courses were attended by business educators wanting to upgrade their skills, leaders of non-governmental organizations, individuals training for public service, and others. PCVs nominated 39 candidates for U.S. Government- and congressionally-funded exchange programs, including the Library of Congress-funded Russian Leadership Program and the State Department's International Visitor, Muskie Fellowship, Regional Scholar, and Young Leaders' Programs.

Trade and Investment Programs

U.S.-Russia Business Development Committee: U.S.-Russian dialogue on economic reform and commercial development continued in FY 2000 within the framework of the U.S.-Russia Business Development Committee (BDC), which is administered by the U.S. Department of Commerce. The BDC actively continued its efforts through the activities of its many subgroups, including the Information Technologies and Telecommunications, Healthcare Industries, Commercial Taxation, Banking and Financial Services, and Standards Subgroups. (Please see U.S. Department of Commerce – Business Development Committee Initiatives section in Part III of this report.)

U.S. Department of Commerce – Business Information Service for the NIS (BISNIS): BISNIS facilitates U.S.-Russian trade and investment by providing U.S. companies with information and guidance on regional, sector-specific, and practical aspects of doing business in the NIS. It also works to expose NIS businesses, organizations and officials to U.S. business concerns and to use technology to provide access to commercial

information services. In FY 2000, BISNIS facilitated a sizeable volume of U.S.-Russian trade, and developed a Russian-language website. (Please see U.S. Department of Commerce – BISNIS section in Part III of this report.)

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded training and exchange programs have brought approximately 44,500 Russian citizens to the United States for short-term professional or long-term academic training, including almost 4,900 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

Library of Congress – Russian Leadership Program (RLP): In FY 2000, the U.S. Congress earmarked \$10 million in FREEDOM Support Act funding for the RLP, known in Russia as the “Open World” Program. RLP, which was originally authorized in May 1999 by an act of Congress (Public Law 106-31), brings emerging Russian leaders in the public sector to the United States for short-term visits to learn about the U.S. political system firsthand, share information and insights about Russia with their U.S. counterparts, and identify opportunities for cooperation. In FY 2000, the RLP focused on elected leaders. Approximately 1,600 participants from across Russia, including 92 State Duma deputies and 14 members of the Federation Council (Russia’s lower and upper houses of parliament, respectively), traveled to the United States for ten days of meetings, consultations, and site visits designed to foster professional and cultural contacts with their U.S. counterparts in government, business and non-profit organizations. Program topics included federalism, social services, budget issues, land reform and the rule of law. Communities and families throughout the United States—including almost thirty members of the U.S. Congress—hosted the Russian participants. Eight RLP alumni conferences were held throughout Russia in 2000, at which RLP participants were overwhelmingly positive in their reactions to the program and consistently expressed hopes for continued cooperation with their U.S. colleagues. Russian media reports and discussions with RLP participants confirmed the program’s positive contributions to U.S.-Russian relations. (See also Library of Congress – Russian Leadership Program section in Part III of this report.)

USAID Training Programs: Approximately 9,000 Russian professionals have participated in USAID-funded short-term training programs in the United States, Russia and other countries since 1993. Since January 1997, the Global Training for Development (GTD) Project has trained more than 2,200 Russian professionals in 80 training programs. In FY 2000, over 650 Russian citizens received USAID-funded training—some 340 through U.S.-based programs, over 300 through in-country programs and 18 through third-country programs. In FY 2000, USAID continued to support the Russian Government’s Presidential Management Training Initiative (PMTI), organizing follow-up workshops for 180 PMTI alumni of U.S. Government and other Western-funded internship programs. This brings the total number of PMTI alumni who participated in the workshops to 300. As a result of participating in these training programs, some PMTI graduates have managed to launch new programs and professional activities that successfully utilize new strategies and innovative practices.

U.S. Department of State – Public Diplomacy Exchanges: Academic and professional exchange programs administered by the U.S. Embassy’s Public Affairs Section, in collaboration with the Bureau of Educational and Cultural Affairs (ECA), foster the skills needed to build a civil society and a market-based economy. In FY 2000, over 2,700 Russian citizens traveled to the United States under the following programs, including 1,600 on professional exchange programs and 900 on academic programs (approximately 80 percent of the latter were under the age of 30):

- **International Visitor/FREEDOM Support Grant (IV/FSA) Program:** In FY 2000, over 400 Russians traveled to the United States under the IV/FSA Grant Program, bringing the cumulative number of program participants since 1992 to over 1,500. Participants traveled to the United States for one to three weeks to meet with their U.S. counterparts and focus on economic, political, media, legal, social science, cultural and education-related issues. Specific FY 2000 program topics included government regulation and promotion of internal commerce, small-business development, reference sources and services, court administration and the U.S. legal system, and the role of the government in managing illegal migration and trafficking in people. In addition, eight members of the State Duma traveled to the United States for a special program on nuclear issues. In Washington, D.C. they met with representatives of the U.S. Congress and the Departments of Defense, Energy and State, and attended an international conference on nuclear waste management.

- **Special Regional Leaders Programs:** A total of 21 regional leaders from Samara, Krasnoyarsk and Tatarstan traveled to the United States for two weeks to examine federal and state issues, with an emphasis on economic development and open markets, as well as budgetary matters. Each region's specialized program was based the region's particular needs. Groups were organized in cooperation with the regional administration, legislature, and business community. Participants typically traveled to four U.S. regions during their visit, including Washington, D.C.
- **Business for Russia (BFR) Program:** A total of 390 Russian entrepreneurs and 23 local government officials familiarized themselves with U.S. business and government practices by participating in BFR internships in more than 50 U.S. communities, which also gave them an opportunity to learn about American society and culture through home-stays and cultural and social events. This brings the total number of BFR participants since FY 1994 to over 3,200.
- **Community Connections Program:** A total of 400 Russian citizens took part in community-based internships, which target non-English-speaking individuals. Participants from individual Russian communities visited U.S. communities in groups of ten, to study U.S. practices in their professions. Like the BFR Program, Community Connections also acquaints Russian participants with American society and culture through home-stays and cultural and social events. Program themes in FY 2000 included business development, NGO administration, educational administration, youth advocacy, access to information, and cultural and historical preservation.
- **Center for Citizen Initiatives (CCI) – Productivity Enhancement Program (PEP):** In FY 2000, 425 Russian citizens participated in PEP, which provides U.S. internships for groups of Russian entrepreneurs in the management of specific business sectors, including construction, agriculture/fisheries, manufacturing, and wholesale/retail trade. A total of 1,960 Russians have participated in PEP since the program's inception in 1996. PEP participants pay for their own travel and living expenses, while the U.S. Department of State and the U.S. host communities cover training costs. Upon returning home, PEP participants have formed active alumni associations and Rotary Club chapters in their communities.
- **NIS Training Grants Program:** This program awards grants to U.S. public- and private-sector non-profit organizations to develop U.S.- or Russia-based training programs in cooperation with a Russian partner organization. In FY 2000, the U.S. Embassy's Public Affairs Section awarded professional training grants for seven projects on women's leadership, two on anti-trafficking, one on media training, and one on the development of professional associations. A total of 45 Russians were trained in the United States, and 26 Americans traveled to Russia to conduct training. In addition, many other Russians citizens benefited from training offered in Russia by the grant recipients and their U.S. partners.
- **Secondary School, Undergraduate and Graduate Exchanges:** In FY 2000, 323 Russian high school students traveled to the United States under the Future Leaders' Exchange (FLEX) Program. The Secondary School Partnership Program and the Secondary School Excellence Program provided opportunities for 285 Russian and 289 U.S. students to conduct partnership activities for one year and to travel to each other's countries on exchange visits (see Public Diplomacy Partnerships section below). The FREEDOM Support Act Undergraduate Exchange Program brought 46 Russian undergraduates to the United States for an academic year, and 70 young Russian professionals were selected to attend U.S. graduate degree programs through the FREEDOM Support Act Graduate/Muskie Fellowship Program. In addition, the Young Leaders' Program brought 18 Americans to Russia and 47 Russians to the United States for a program that combines academic study with public-service internships.
- **Faculty Programs:** In FY 2000, the Teaching Excellence Awards (TEA) Program awarded 30 Russian and nine U.S. finalists the opportunity to participate in a professional development seminar together with their foreign counterparts, and provided much-needed educational materials to the schools of 195 Russian semifinalists. Other FY 2000 exchange programs for teachers and scholars included the Partners in Education Program (48 Russian participants), Fellowships in Contemporary Issues (15 Russian participants), the Regional Scholar Exchange Program (21 Russian participants), the Junior Faculty Development Program (42 Russian participants) and the Fulbright Program (42 Russian researchers and 30 U.S. lecturers).

- **Alumni Programs:** Maintaining contact with and among alumni of U.S. Government-funded exchange programs remains a high priority. Alumni activities organized in Russia in FY 2000 included conferences, networking opportunities, career development seminars, job forums and events at the U.S. Embassy and Consulates. Strong alumni associations have been established by FLEX, Muskie/FSA and scholar program alumni. In FY 2000, the U.S. Embassy's Public Affairs Section increased its focus on the alumni of professional exchange programs, providing them with Internet access in addition to encouraging them to organize alumni associations.

U.S. Department of State – Public Diplomacy Partnerships: As a complement to the Public Diplomacy exchange programs described above, the U.S. Embassy's Public Affairs Section and the ECA Bureau sought to promote long-term, self-sustaining institutional linkages through the following partnership programs:

- **Secondary School Partnership Program:** This program supports the establishment and expansion of linkages between U.S. and Russian secondary schools through substantive collaborative projects and student and educator exchanges. The participating schools develop a relationship by working together on a project, which includes three- to eight-week reciprocal group visits. The collaborative projects focus on targeted themes and tangible outcomes, such as the production of new educational materials. In FY 2000, six partnership grants were awarded for partnerships between U.S. and Russian schools, focusing on such issues as democracy and globalization, leadership development, community service, civic education, clean communities, health education, computer technology, agricultural and environmental education, and entrepreneurship.
- **Secondary School Excellence Program:** In this program, the schools of Teaching Excellence Award winners (see Faculty Programs section above) are matched with U.S. schools, providing a basis for reciprocal exchange programs. These partnered schools work on joint projects, many of which were designed to promote citizen involvement in governance.
- **NIS College and University Partnership Program (NISCUPP):** In FY 2000, NISCUPP launched ten new partnerships focusing on a wide range of topics, including economics, business administration, law, political science, civic education, public administration, and the social sciences. The linkages promote curriculum development and faculty training, and provide outreach and assistance to the local community. For example, the University of New Mexico is working with the Ural State Technical University to build bridges between the academic and scientific communities to support the transition of former weapons scientists to private-sector employment by providing training in business skills and project management. One of their current activities is expected to result in the establishment of a plant in Snezhinsk that will produce new x-ray and CAT-scan technologies. In FY 2000, the ECA Bureau also funded a new partnership between Syracuse University's Maxwell School of Public Administration and the Department of Public Administration at Moscow State University to develop a top-quality graduate program in public policy, as well as public administration training for other Russian regions by means of distance learning.

U.S. Department of State – English as a Foreign Language (EFL) Program: The EFL Program focuses on the professional development of teachers of English as a foreign language and on fostering the expansion of the teaching of English for specific purposes, especially in the fields of business, banking, economics, law and government. In FY 2000, the EFL Program focused primarily on business English and American studies. In support of the Russian Government's Presidential Management Training Initiative (PMTI), which is a program of overseas training for junior to mid-level Russian managers from the private and public sectors, EFL Fellows offered programs for instructors at PMTI training institutes on business English, with a focus on methodology, teaching materials and curriculum development. During the 2000-01 academic year there are a total of 10 EFL Fellows (up from five last year), living and working throughout western Russia, Siberia and the Urals. An EFL Fellow was placed in Tomsk in support of the U.S. Government's Regional Initiative.

Peace Corps – English Language Training: In FY 2000, Peace Corps English-teaching volunteers in western Russia taught secondary school students and undergraduates, trained English teachers, and supported English language associations, clubs, resource centers and computer labs. The volunteers also held conferences, updated existing English-teaching textbooks and wrote new ones. In FY 2000, 58 volunteers reached some 7,000 students and 1,800 teachers in 21 university and institutes, 31 secondary schools and three in-service training centers in 28 cities. In FY 2000, Peace Corps volunteers began serving in Novosibirsk.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2000, the SABIT Program sent 131 Russian managers and scientists to U.S. companies for hands-on training ranging from four weeks to six months in duration. Training topics covered all areas of industry, with an emphasis on environmental technology, computer technology and telecommunications. (Please see U.S. Department of Commerce – SABIT section in Part III of this report.)

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2000, USDA's Cochran Program continued to support agricultural reform in Russia, organizing short-term exchange programs for 50 Russian agriculturists—in particular, senior and mid-level specialists and administrators concerned with agricultural trade, agribusiness development, management, policy and marketing from the public and private sectors. The Cochran Program was initiated in Russia in 1993. Since that time, over 540 Russians have received training in the United States. Training activities have included programs in food safety, food trade, banking and finance, food processing, farm management, agricultural credit and credit unions.

USDA Faculty Exchange Program: The Faculty Exchange Program (FEP) provides long-term practical training of five to six months in duration to qualified university educators from progressive agricultural institutions to increase their capability to develop academic and adult education programs and curricula to teach agricultural economics and marketing, agribusiness, and agrarian law in a market-based economy. FEP has established a number of linkages between U.S.-Russian universities and has supported follow-on support visits by U.S. faculty to their FEP counterparts in Russia. There were nine Russian participants in FEP in FY 2000. Since its inception in 1995, FEP has trained 32 Russian participants from 19 different universities, institutes and agricultural training institutions.

USDA Visiting Scientists Program: In FY 2000, USDA's Agricultural Research Service (ARS) selected one Russian researcher to participate in its scientific exchange program.

Democracy Programs

U.S. Department of State – Internet Access and Training Program (IATP): IATP, which is administered by the Bureau of Educational and Cultural Affairs (ECA), seeks to expand Internet access throughout Russia's regions and encourage the development of the Russian-language Internet by providing free and open Internet access and targeted training to alumni of U.S. Government-funded exchange programs and other targeted audiences. There are currently 47 IATP public-access Internet sites across more than 25 of Russia's regions, with plans to expand the number of sites significantly in upcoming years. IATP provides training, professional workshops, and online events that promote the Internet as an educational tool and give Russian citizens the skills to develop quality Internet resources. The program's several components are described below:

- **Alumni Program:** IATP provides alumni of U.S. Government-funded exchange programs with free and open access to the Internet, the opportunity to participate in Internet seminars and training, and informational support through IATP listservs, web chats and online forums. IATP trained a total of 650 alumni in FY 2000, and worked closely with Professionals for Cooperation, an alumni association for participants in U.S. Government-funded professional exchange programs.
- **Small-Grants Program:** IATP conducted a \$250,000 small-grants competition to support the development of Russian-language Internet resources and initiatives. Individual grants ranged from \$500 to \$7,500. Small-grant winners were announced in March 2000, and prize competition winners were announced in September 2000. Fifty projects from 26 cities across Russia were awarded funding. Of the 50 projects funded, 17 were awarded to alumni. Winning projects included a site which provides consultations for parents of children with cancer, an Internet café for teachers, and a website on environmental law.
- **Education Program:** IATP sites provide intensive train-the-trainer courses for university professors and secondary school teachers on the integration of the Internet into the educational process. In FY 2000, more than 300 teachers and professors in 15 cities were trained through these courses. Participants are obligated to pass-on their newly gained knowledge to their students and colleagues by organizing online events, training and lectures.

USAID Independent Media Programs: In FY 2000, USAID continued to provide comprehensive assistance to Russia's independent media. Assistance ranged from professional journalism training to media-related business and legal support activities.

- **Internews-Russia:** Since 1992, USAID-funded Internews has provided technical assistance to over 500 regional independent (non-state) television stations in virtually all of Russia's 89 regions. An annual series of regional competitions and training seminars called "News-Local Time" enabled 50 stations from Russia's regions to compare programming, benefit from professional training, broaden their contacts with national network executives, and access expert legal advice. Internews conducted a coordinated series of media advertising support activities in 48 regions of Russia, facilitating the formation of the Russian Advertising Federation for the Regions (RAFR), which currently includes 78 members from 35 cities. Internews also continued to support a newsroom computerization program and an Internet-based news exchange network called "InterNovosti", which now unites 164 television stations throughout Russia, as well as a network of media organizations that worked to reduce government controls on local media.
- **Press Development Institute:** In June 2000, USAID closed out its agreement with New York University/National Press Institute (NYU/NPI) because of inadequate progress in NPI's institutional development and problems with NPI's financial management. USAID grantee Internews-Russia stepped in to temporarily administer USAID's Print Media Program. Internews-Russia is helping to register a new Russian NGO, the Press Development Institute (PDI), which will take on primary responsibility for USAID's future work with Russia's regional print media. PDI inherited NPI's key staff members and activities, as well as a network of six regional centers in Moscow, St. Petersburg, Samara, Yekaterinburg, Novosibirsk and Vladivostok. PDI's activities will include newspaper skills development through training and consultations, legal advice, informational support, and regional newspaper outreach. In September 2000, PDI conducted an assessment of the efficiency of NPI's activities by distributing 254 questionnaires, conducting 63 telephone interviews and six focus groups in more than 40 regions throughout Russia. Based on this assessment, PDI will develop its new mission, goals, strategy, organizational structure, and six-month working plan. USAID plans to conduct a competition to select a U.S. implementing organization for its new print media assistance program in spring 2001.

U.S. Department of State – Media Programs: In FY 2000, the U.S. Embassy's Public Affairs Section completed the implementation of its \$900,000 media assistance program, which was part of the \$10 million media assistance package announced by Secretary of State Albright in January 1999. Projects consisted of \$75,000 for small grants (e.g., to establish an online newspaper in St. Petersburg), \$225,000 to bring 15 Russian media managers to the United States for internships at news organizations, \$200,000 for an International Visitor (IV) program on the business management of newspapers, and \$400,000 for a Professional-in-Residence program to bring U.S. journalism specialists to Russia in the fields of newspaper management, design and advertising. The Public Affairs Section also completed a computerization project through the National Press Institute, under which 50 Russian news organizations were awarded computer hardware to establish Internet connectivity and to improve their operations. In addition, the Public Affairs Section awarded a small grant to Karelia TV to produce a documentary on its sister state, Vermont; one to Vostok TV in Vladivostok for a program about the Pacific fishing industry; and one to AVS TV in Yekaterinburg for a program on civic education and civil society. The Public Affairs Section also sent two groups of journalists on IV programs to the United States to examine reporting on the U.S. elections, and sponsored a photo exhibit of Pulitzer prize-winning Associated Press journalist Aleksandr Zemlyanichenko at the Moscow American Center in commemoration of World Press Freedom Day.

USAID Rule-of-Law Programs: In FY 2000, USAID continued to work with the Russian judiciary, including the commercial (arbitrage) courts and the courts of general jurisdiction. Over 500 Russian judges and court administrators participated in USAID-funded training programs aimed at improving the participants' understanding of law and judicial ethics, improving court administration, and improving continuing judicial education. USAID continued to help the Russian Supreme Court's Judicial Department, which is responsible for administering the courts of general jurisdiction, to improve judicial administration in Russia. USAID also continued to support partnerships between U.S. and Russian judicial entities, including a partnership between Russia's Judicial Department and the Administrative Office of the U.S. Courts. A special program involving the Supreme Qualifying Collegium, the Russian judicial-branch entity responsible for enforcing discipline against judges accused of ethics violations, is raising awareness of judicial ethics issues among hundreds of judicial leaders from Russia's regions. Due to budgetary constraints, USAID had to reduce its assistance to the

Russian judiciary in late FY 2000, and began working through an exchange and training program operating on a much smaller scale, building upon already-established partnerships and cooperation between the Russian and U.S. judiciaries. A USAID-funded program with the Bailiffs' Service of the Ministry of Justice conducted training and produced a manual for nationwide use by the bailiffs, who enforce courts' civil judgments. Other USAID-funded rule-of-law programs enhanced clinical legal education in Russia's law schools, strengthened the role of lawyers in defending women's rights and combating domestic violence, and provided specialized training on commercial laws to members of Russia's practicing bar. A program of sister-state bar relationships provided linkages between the legal communities of several states and several Russian regions, assisting with law school development, clinical legal education, and enhanced legal professionalism.

USAID Support for Human-Rights Monitoring: USAID continued to provide support for a human-rights monitoring program that covered 60 of Russia's 89 regions and produced human-rights reports for all 60 of those regions, as well as a report about Russia's national human-rights situation. Other USAID-funded human-rights programs offered programmatic support and made facilities available to NGOs working on issues such as the rights of minorities, refugees, psychiatric patients, and other groups.

USAID Political Process Programs: USAID continued to support increased participation by Russian citizens in democratic political processes, with a special emphasis on the December 1999 elections to the State Duma (Russia's lower house of parliament) and the March 2000 presidential election. The USAID-supported International Republican Institute (IRI) and the National Democratic Institute for International Affairs (NDI) helped Russia's democratically oriented political parties strengthen their local party organizations and increase party membership. IRI and NDI trained more than 3,000 political party leaders and civic and political activists in 12 key regions. IRI provided almost \$150,000 in subgrants to Russian NGOs whose mission is to promote democratic development. Some of these subgrants supported the training and research programs of four regional NGOs. IRI also continued to support the educational activities of the Moscow School of Political Studies (MSPS), which conducted training and roundtables for approximately 500 Russian politicians and policy-makers in Moscow and in the regions. Through its NGO Advocacy Program, NDI supported a coalition of national civic organizations whose mission is to organize and coordinate election-oriented advocacy activities. The coalition is comprised of seven national civic organizations, all of which have regional affiliates. In addition, through its Moscow office and resource center, the USAID-supported International Foundation for Election Systems (IFES) provided technical assistance to Russia's Central Election Commission (CEC), 89 subject (regional) election commissions (SECs) and 2,700 territorial election commissions (TECs). During August-September 1999, IFES and the National Press Institute (NPI) conducted a series of election-related seminars in 15 cities for media representatives, giving them a chance to interact with CEC representatives and bringing together SEC members and journalists from a total of more than 70 regions. IFES also continued to provide support to the Institute for Election Systems Development (IESD), a Russian NGO that will officially take over IFES's activities and will continue to provide technical assistance to all participants in the electoral process.

USAID NGO Development Programs: Through its grantees World Learning and the Initiative for Social Action and Renewal in Eurasia (ISAR), USAID continued to provide technical assistance and small grants to NGOs through 40 NGO resource centers operating in 25 of Russia's 89 regions. These resource centers provide over 3,000 consultations and referral services per month to approximately 6,000 grassroots NGOs, building up their institutional capacity and their ability to provide services and advocate on behalf of their clients. In FY 2000, these NGOs formed over 200 coalitions to advocate on behalf of NGOs and their clients, and submitted 181 expert commentaries to government officials on policy matters. USAID's NGO development programs also supported the exchange of information among NGOs through the Internet. An electronic NGO library developed by World Learning offers updated materials on legislation and taxation of NGOs, as well as on many other important topics. Approximately 2,000 requests for materials from the library are made every month. These and other information resources are made available to thousands of local NGOs at over 50 information hubs.

USAID Support for Trade Union Development: In FY 2000, USAID continued to assist free trade unions in Russia. With support from USAID, the American Center for International Labor Solidarity (ACILS) conducted training seminars on basic trade unionism, collective bargaining and labor dispute resolution for trade union activists across Russia. The legal staff of the seven Public Interest Law Centers (PILC) supported by ACILS provided approximately 2,800 monthly consultations to labor and civil activists concerning civil procedures, wage issues, and trade union rights. In an effort to encourage citizen participation in the legislative process, PILC staff provided trade unions with 13 legal commentaries on draft laws, new legislation, and a comparative

analysis of the several draft labor codes to be considered by the State Duma. PILC staff also represented the interests of 6,600 people in a total of 1,920 hearings.

USAID Domestic Violence and Gender Equality Programs: Through a small-grant program implemented by the International Research and Exchanges Board (IREX), USAID provided support to women's crisis centers in Russia. USAID also contributed to the organizational strengthening of the Russian Association of Crisis Centers. In addition, USAID's civil society and human-rights programs continued to support NGOs that seek to promote and defend women's rights in Russia at the policy level.

USAID Institutional Partnerships: USAID's Sustaining Partnerships into the Next Century (SPAN) Project continued to support innovative partnerships between Russian and American organizations in the areas of business development, civil society, health, environment and the rule of law. In addition to the 24 partnerships that SPAN supported in FY 1999, SPAN selected 11 additional partnerships in FY 2000, bringing the total number of SPAN partnerships to 35 and expanding the project's focus to include social-sector reform and women's issues. SPAN partners conducted their activities throughout Russia, including the country's more remote regions. For example, through a computer-based simulation program called "Banks in Action," SPAN partners Junior Achievement International and Junior Achievement Russia provided Russian high school students with a fundamental understanding of how banks operate and the critical role they play in a market-based economy. The program was introduced to 7,125 classes across 34 regions of Russia.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2000, ACTTA law enforcement assistance continued to reach a cross-section of Russian society. Thirteen U.S. law enforcement agencies provided training to Russian law enforcement officials, including the Federal Bureau of Investigation (FBI), the U.S. Justice Department's Office of Overseas Prosecutorial Development, Assistance and Training (DOJ/OPDAT); the U.S. Drug Enforcement Administration (DEA); the U.S. Immigration and Naturalization Service (INS) and the U.S. Secret Service (USSS), all of whom have resident representatives in Russia. ACTTA training programs focused on money laundering and financial crimes, corruption, counter-narcotics, law enforcement science, organized crime, rule-of-law reform, border control, and intellectual property rights. Program participants included law enforcement personnel primarily from the Ministry of Internal Affairs (MVD), the Federal Security Service (FSB) and Russian Customs Service. ACTTA training programs also reached out to legislators, court officials, NGOs and health professionals, addressing issues such as domestic violence, trafficking in women and drug abuse. The ACTTA Program also provided technical advice on the development of mutual legal assistance agreements. The ACTTA Program further expanded its efforts in Russia's regions by supporting a large-scale community policing program active in several of Russia's regions.

Democracy Fund Small Grants Program: In FY 2000, the U.S. Embassy's Democracy Commission, which is administered by the Public Affairs Section, awarded 17 grants totaling \$150,000 in areas including human rights advocacy, civic education, public policy, volunteerism, media and environment. The Democracy Commission awards small grants of up to \$24,000 directly to democracy-building organizations in Russia, enabling these institutions to develop their own programs and become self-sustaining over the long run.

U.S. Department of State – Women's Leadership Programs: In FY 2000, the U.S. Embassy's Public Affairs Section made a special effort to encourage women's leadership through the Democracy Commission and the NIS Training Grants Program, both of which are described above. The Democracy Commission awarded a total of 14 grants to NGOs that are directed by women, and the NIS Training Grants Program awarded six grants to projects implemented by female NGO activists and community leaders. These two grant-making programs have helped women in Russia acquire a wide range of organizational skills, establish links with other NGOs in Russia and in the United States, encourage grassroots activism, establish training centers, and learn how to mount public awareness campaigns and work with volunteers. Project topics included women's legal rights, and combating domestic violence and the trafficking of women.

U.S. Department of State – Book Translation Program: The Book Translation Program awards small subsidies to Russian commercial publishers to help them publish and sell affordable translations of American books, with the goal of ensuring the widest possible availability of American books in Russia, while at the same time supporting the development of an independent publishing industry in Russia. In FY 2000, the U.S. Embassy's Public Affairs Section awarded sixteen new book translation grants totaling \$48,500, mainly for textbooks on business and economics, but also for books on political theory and American history. The Book

Translation Program is supplemented by a series of seminars for booksellers and publishers, and by the Public Affairs Section's annual participation in the Moscow International Book Fair.

U.S. Department of State – Library Assistance, Information Resource Centers: The U.S. Embassy's Public Affairs Section provides assistance to public libraries throughout Russia, including the provision of print and electronic resources on U.S. Government, business and society; training and other technical assistance. The goal of this program is to provide Russian citizens with increased access to information by helping the country's libraries develop into modern institutions that provide free access to information. The Public Affairs Section provided \$35,000 in collection development assistance to the regional Universal Scientific Library in Yuzhno-Sakhalinsk, where programs in support of the U.S. Government's Regional Initiative (RI) will be able to leverage the library's resources. The U.S. Government maintains a network of three Information Resource Centers (in Moscow, St. Petersburg and Vladivostok) and five American Centers (in Moscow, Yekaterinburg, Nizhniy Novgorod, Tomsk and Rostov-on-Don). In FY 2000, the Public Affairs Section initiated a new program, the American Corners Project, which will add twelve new sites to this network (in Novgorod, Samara, Togliatti, Khabarovsk, Vologda, Petrozavodsk, Ufa, Irkutsk, Novosibirsk, Yuzhno-Sakhalinsk, Volgograd and Kazan). The American Corners provide unofficial U.S. representation in cities that do not have official U.S. Government representation, provide support to ongoing RI projects in Samara, Togliatti, Yuzhno-Sakhalinsk, and Khabarovsk, and act as the base for follow-up activity in Novgorod, a region that has graduated from the RI. In addition, the Public Affairs Section's Information Resource Office developed a handbook for NGOs, provided information to libraries, and universities all over Russia, conducted media outreach, and provided study opportunities for advanced library-science students at the Moscow State University of Culture.

U.S. Department of State – U.S. Speakers and Specialists Program: This program, which is administered by the U.S. Embassy's Public Affairs Section in collaboration with the Office of International Information Programs (IIP), aims to facilitate communication between key audiences in Russia and individual Americans representative of a broad range of informed opinion. In FY 2000, 32 U.S. experts traveled to Russia to deliver lectures and conduct seminars for diverse groups of Russian professionals, students and scholars on subjects of key importance, including independent media, consolidation of democratic institutions, and public administration and management. Four U.S. media specialists were placed as long-term Professionals-in-Residence at Russia's National Press Institute (NPI), Internews-Russia and regional media outlets to focus on such topics as media sales, marketing and management, and print media advertising and graphics. In addition, former Texas Governor Ann Richards discussed political fundraising and women in politics with journalists, elected officials, NGO activists, and public administration faculty and students.

Security Programs

U.S. Department of Defense (DoD) – Cooperative Threat Reduction (CTR) Program: U.S.-Russian cooperation on CTR programs continued without disruption throughout FY 2000. From FY 1992 to FY 2000, DoD notified to the U.S. Congress over \$2 billion in CTR assistance to Russia, of which over \$1.5 billion had been obligated and over \$1 billion disbursed as of the end of FY 2000. To help Russia reduce its force structure to START II or START III levels, DoD and several Russian Government Ministries agreed in December 1997 on new CTR projects to support required missile systems dismantlement and strategic submarine elimination, and to enhance the security of Russia's nuclear weapons and fissile material. Several of these projects continued during FY 2000. Additional projects were also initiated to prevent the proliferation of biological weapons expertise and technology.

International Military Education and Training (IMET) and Foreign Military Financing (FMF): In FY 2000, Russia's Ministry of Defense cautiously resumed participation in both the IMET and the FMF Programs, having suspended its participation in FY 1999 to protest the U.S. Government's actions in Kosovo. In FY 2000, \$758,000 was expended for the participation of 214 Russians from the Ministry of Defense, the Ministry of Foreign Affairs, the Ministry of Emergency Situations, and other agencies in IMET training programs.

U.S. Department of State – Science Collaboration/ Biological Weapons (BW) Redirection: In FY 2000, the U.S. Government actively supported the transition to peaceful civilian work of former Soviet weapons scientists through funding for International Science and Technology Center (ISTC) and Civilian Research and Development Foundation (CRDF) projects. Projects were also initiated under BW Redirection programs of the U.S. Departments of Agriculture (USDA) and Health and Human Services (HHS) to help redirect former Soviet

BW scientists through collaborative research in the areas of agriculture and public health. (For more detail, please see U.S. Department of State - Redirection of Biotechnical Scientists section in Part III of this report.)

Other Security Programs: In FY 2000, the U.S. and Russian Governments also continued to cooperate on a number of other security programs. DoD and the U.S. Environmental Protection Agency (EPA) continued work on the Arctic Military Environmental Cooperation (AMEC) Program with Russia and Norway. The State Department provided export control and border security assistance through the U.S. Customs Service and the Departments of Commerce and Energy, particularly in the area of facilitating development of Russian internal compliance programs.

U.S. Department of Energy (DOE) – Nonproliferation Programs: DOE is implementing a broad range of programs that focus on securing nuclear materials, reducing stockpiles of nuclear material, and accelerating the transition of facilities and workers from nuclear defense work to civilian purposes. (Please see Security Programs Section in Section III of this report for more detail.)

- **Material Protection, Control and Accounting (MPC&A) Program:** Since 1993, DOE's MPC&A Program has worked to address the daunting challenge of securing the enormous stock (960 metric tons) of fissile material resulting from the former Soviet Union's half century of nuclear weapons and civilian nuclear power programs. This material is sufficient to make over 58,000 nuclear devices. Major accomplishments in FY 2000 included continuing security improvements on about 750 metric tons of highly enriched uranium (HEU) and plutonium. The program also expanded its cooperation with the Russian Navy.
- **Highly Enriched Uranium (HEU) Purchase Transparency Program:** DOE negotiated and implemented transparency measures under the U.S./Russia HEU Purchase Agreement, including monitoring visits to Russian nuclear facilities; the maintenance of a permanent office at a Russian materials processing facility; and developing and using instrumentation to confirm that weapons-grade uranium is being converted into uranium for use in U.S. nuclear power plants.
- **Nuclear Cities Initiative (NCI):** The NCI is intended to promote economic opportunities and community development to accelerate the contraction of Russia's nuclear complex. Despite strict controls on access to the nuclear cities imposed by the Ministry of Atomic Energy (MinAtom), NCI made progress in FY 2000, its second full year of operation,. Most notably, 500,000 square feet were carved out of the classified Avangard Electrochemical Plant in Sarov to create the Sarov Technopark.
- **Warhead and Fissile Material Transparency Program:** Since FY 1994, funding for transparency and irreversibility activities under DOE's Warhead and Fissile Material Transparency Program has totaled \$62 million. In addition to providing valuable insight on Russia's nuclear weapons dismantlement process, this program has employed over 1,000 Russian nuclear weapons scientists, thus contributing to nonproliferation objectives.
- **Mayak Transparency Negotiations:** In FY 2000, DOE, its National Laboratory personnel and the U.S. Department of Defense conducted a fissile material transparency technology demonstration to familiarize a Russian delegation with procedures for measuring the attributes of a nuclear-weapons component without releasing sensitive or classified information.
- **Reduced Enrichment for Research and Test Reactors (RERTR):** RERTR activities continued to support testing at the St. Petersburg Nuclear Physics Institute of low-enriched uranium (LEU) fuel elements that can be used for conversion of reactors in Uzbekistan, Hungary, Ukraine and Vietnam. In addition, development of high-density fuels for Russian-designed research reactors was initiated at the Bochvar Institute.
- **Initiatives for Proliferation Prevention (IPP):** The IPP Program provides non-weapons-related work for former Soviet weapons of mass destruction (WMD) scientists, engineers, and technicians through commercially viable market opportunities. Since 1994, the IPP program has funded more than 8,000 former Soviet weapons scientists at over 180 institutes. In FY 2000, the IPP program continued to emphasize commercialization by approving only new projects with a clear commercial focus and an industrial partner. Since 1994, over \$55.5 million has been allocated to projects that include cost-sharing by U.S. industry projects.

- **Nuclear Export Control Program/Second Line of Defense (SLD) Program:** DOE'S Nuclear Export Control Program carried out more than 25 projects in FY 2000 to enhance Russia's nuclear export-control capabilities. The complementary SLD Program helps Russia combat the trafficking of illicit nuclear materials across border and control points. The program's strategy is focused on providing radiation detection equipment for Russian customs posts and border crossings, optimizing the use of that equipment through upgrades, and developing training programs and tools for Russian customs officials.
- **Fissile Material Disposition Program:** In July 1998, the U.S. and Russian Governments signed an agreement on scientific and technical cooperation to govern joint U.S.-Russian activities in plutonium disposition. In September 2000, the two governments signed an agreement for disposing of 68 metric tons of weapons-grade plutonium (34 metric tons in each country). Acceptable technologies include irradiating the surplus plutonium as mixed oxide (MOX) fuel in reactors or immobilizing it with high-level radioactive waste, rendering it suitable for geologic disposal. Implementation of this program requires the construction of new industrial-scale facilities to convert and fabricate this plutonium into fuel in both countries, and to immobilize a portion of the U.S. plutonium.

U.S.-Russia Joint Commission on POW/MIAs: Through the U.S.-Russia Joint Commission on POW/MIAs, the U.S. Defense Department's Moscow-based Defense POW/Missing Personnel Affairs Office continued to support the Russian side of the Commission in its efforts to account for Soviet and Russian citizens missing during and after World War II. This includes trying to account for Soviet military and civilian citizens who were missing in performance of their official duties abroad, in incidents at sea, in submarines, in the air, and in various local wars.

Social-Sector and Humanitarian Programs

USAID Urban Socio-Economic Programs: In FY 2000, USAID continued its assistance to local governments and the business and NGO communities to improve the social and economic life of Russia's cities. At the local level, with USAID assistance, four pilot cities began making a transition to means-testing of social benefits and competitive procurement of services from private providers. Five cities developed long-term municipal economic development plans in collaboration with the local business and NGO communities; two of these cities established permanent municipal economic development agencies with public- and private-sector participation. USAID also helped three cities in the Russian Far East identify energy-efficiency improvements in their district heating systems in order to reduce costs and improve service to the local population. A total of 19 cities established centralized real estate registration systems, and 16 cities moved to adopt transparent zoning regulations, thus creating a more investor-friendly business climate. At the federal level, USAID's urban socio-economic programs provided more than 25 models of local reforms that directly impacted the development of national housing, communal services, land, real estate, and social assistance policy and legislation.

USAID Health-Care Reform Programs: In FY 2000, USAID continued to implement multi-year strategies aimed at specific health problems in Russia, including women's and infant health, HIV/AIDS prevention, and tuberculosis control. USAID also continued to support U.S.-Russian primary health-care partnerships and facilitated a dialogue at the national level on the quality of health care in Russia.

- **Women's and Infant Health Project:** In June 1999, USAID initiated a women's and infant health strategy that incorporates training in a range of prenatal, maternity and postnatal care and treatment issues, based on the most modern information available in the area of women's health. The strategy also incorporates increased counseling on family planning, sexually transmitted diseases and domestic violence. In FY 2000, field-based programs were initiated in Novgorod and Perm. More than 600 clinicians were trained; more than 150,000 clients received materials on modern contraceptives; and 2,000 sets of nine contraceptive cue cards for clinicians were distributed to project sites in Novgorod and Perm *Oblasts* (Regions).
- **Infectious Disease Programs:** USAID continued its HIV/AIDS prevention activities in Moscow and Saratov. HIV/AIDS and sexually transmitted disease (STD) prevention leaflets, brochures and posters were placed in clinics and youth centers, and a series of youth events were organized to promote condom use and increase HIV/AIDS awareness among young people. Two HIV/AIDS-prevention partnerships also continued. The first was between the Moscow-based NGO "No to Alcoholism and Drugs" (NAN) and the Lower East Side Harm Reduction Center of New York City, and the other was between three organizations in Saratov—the Regional AIDS Prevention Center, the NGO "Harmony," and the Center for International

Understanding—and three Washington, D.C.-based organizations—Helping Individual Prostitutes Survive, Metro Teen AIDS, and the Whitman-Walker Clinic. Both partnerships have developed prevention strategies for high-risk groups, strengthening the capacity of the Russian partners to design and implement HIV/AIDS-prevention programs. USAID's anti-tuberculosis (TB) program launched activities in three pilot sites—Ivanovo, Orel and Vladimir—focusing on implementation of the World Health Organization's (WHO) Directly Observed Therapy Short Course (DOTS) tuberculosis control program, upgrading laboratory facilities, and providing models for use in an upcoming World Bank loan. In September 2000, a standardized treatment protocol jointly developed by the Centers for Disease Control and Prevention (CDC), WHO and their Russian counterparts was finalized, capping a year-long collaborative effort among technical leaders in the field and their Russian counterparts. The governors of all three regions publicly declared their support for the program.

- **Community-Based Health Care Project:** In October 1998, the USAID-funded American International Health Alliance (AIHA) initiated a new, broad-based series of U.S.-Russian partnerships focusing on community-based primary health care. By working with municipal governments, social services, schools, universities and public organizations, the program began fostering more effective and efficient delivery of health-care services in communities. As part of a community-based health initiative, USAID established new primary health-care partnerships in Samara, Sakhalin and Tomsk, as well as in two Nuclear Cities Initiative sites, Sarov and Snezhinsk, with support for the latter sites provided by the U.S. Department of Energy. The U.S. and Russian partners pursued objectives in the areas of hospital management and administration, nursing, women's health, neonatal resuscitation, emergency medical care, maternal and child health, and hospital infection control.

USAID Assistance to Russian Orphans (ARO): In FY 2000, USAID continued its project to provide assistance to Russian orphans, many of whom are still automatically put into state institutions soon after birth and are cared for outside of families and communities. In many cases, reintroduction into society never occurs. The ARO Project supports activities to prevent child abandonment, promotes the development of community services, and encourages organizations involved with orphan issues to share ideas with each other. Two U.S. NGOs—Holt International Children's Services and Mercy Corps International—are working with leading Russian NGOs in Novgorod, Samara and the Russian Far East, as well as other regions of the country, using innovative approaches to child-welfare issues. Under the ARO Project, grants totaling more than \$1 million have been provided to more than 40 Russian NGOs, and training has been provided to more than 100 NGOs, local government representatives, and other relevant stakeholders.

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2000, USDA continued to deliver seed and food commodities under the terms of the bilateral agreements signed in FY 1999. USDA provided a total of approximately one million metric tons of food, valued at \$240 million. This consisted of 1999 P.L. 480 commodities (valued at \$74 million); an additional 300,000 metric tons of wheat donated under the Section 416(b) Program (valued at \$54 million); 150,000 metric tons of various commodities (valued at approximately \$85 million) as part of humanitarian assistance under the Food for Progress Program, delivered through seven U.S. private voluntary organizations; and 20,000 metric tons of seed (valued at \$27 million). The sale of commodities provided under the U.S. Government's FY 1999 Russian food aid program has resulted in more than 9.1 billion rubles in payments to the Russian State Pension Fund. By the close of FY 2000, 95 percent of the 9.6 billion ruble target had been achieved. In addition, thanks in large measure to the U.S. Government's and European Union's food assistance programs, pension arrears have been eliminated in Russia. Moreover, some 81 of Russia's 89 regions were direct beneficiaries of the food assistance, including more than 1,000 social institutions that received benefits from the free wheat distribution. In addition to providing support to 35 million pensioners, the combined effect of these food aid programs over the past two years has been to stabilize bread prices and feed the poorest Russians; to enable feed grains and quality seeds to be made available to Russian farmers to help prevent a further major decline in Russia's livestock and poultry industries; to create jobs at ports and help revitalize dormant processing facilities; to provide bread products or other critical items to more than 1,000 orphanages, mental institutions, hospitals and other social institutions; and to provide major support to Russia's agricultural credit cooperatives and seed institutions, all of which contributed to a more stable agricultural and social sector.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS transported \$26.05 million in privately donated and U.S. Defense Department excess humanitarian commodities to Russia, at a cost to the U.S. Government of \$2.05 million.

Energy and Environmental Programs

U.S. Department of Energy (DOE) – Nuclear Reactor Safety Program: In FY 2000, a series of DOE projects continued to improve safety at Russia's nuclear power plants. Safety parameter display systems were installed at three reactors to provide key parameters to plant operators in case of an accident. Five full-scope or analytical simulators were provided to nuclear plants for the purpose of training control-room operators. Formal classroom training was conducted at the Balakovo training center, and over 3,000 operators were trained using U.S.-supplied methodology. With support from U.S. experts, work continued on in-depth safety assessments for the Leningrad, Kola and Novovoronezh nuclear power plants. These assessments will identify the plants' weaknesses, and are needed to assess plant modifications and to obtain operating licenses from the regulatory authority. Initial results are already being used to improve safety. The International Nuclear Safety Center sponsored a technical workshop on severe accident management in Obninsk. Work continued on a series of technical projects conducted at Nuclear Safety Centers in the United States and Russia. The Centers coordinated further activities under a project to validate the application of U.S. computer codes to Russian reactor-safety analysis.

DOE Energy Efficiency Programs: Since 1993, the U.S. and Russian Governments have been working together to address the problems of satisfying the growing demand for energy while reducing adverse environmental impacts in both countries. One result of this cooperation has been the establishment of an energy efficiency center in Moscow managed and staffed by Russians. Successful projects include the retrofitting of district heating systems in the Orlov Region and in several cities, including Chelyabinsk, Kostroma, Murmansk, Zheleznogorsk and Litkarino. These cities are interested in the potential for savings that they have invested more than \$2 million of their own money in the project. In order to create an infrastructure that will encourage and promote energy efficiency, DOE has worked to develop an energy-savings code and standards for buildings and equipment. In Moscow alone, the building codes established have reduced carbon dioxide emissions by 500,000 tons over the past three years. Other energy-efficiency activities have included the construction of 40 wind/diesel hybrid power stations in Murmansk; adoption of energy-efficiency laws in Sakhalin, Yaroslavl and Chelyabinsk; and initiation of a project to retrofit the Sechenov Moscow Medical Academy with energy efficiency measures that will serve as a flagship project for other hospitals. In 2001, DOE hopes to sign an energy efficiency agreement with the Russian Government that will expand cooperation to facilitate financing of projects, expand work to more regions, and link energy efficiency to joint implementation climate change projects. Potential future activities include the retrofitting of district heating systems, construction of wind-diesel and biomass power plants in northern Russia and the Russian Far East, and an initiative to improve the energy efficiency of government-owned buildings.

USAID Energy-Sector Reform Programs: USAID is currently phasing out its energy-sector programs in Russia, with the exception of projects to promote energy efficiency and reform. USAID's 1999 report on restructuring Russia's electricity sector served as the strategic plan for U.S. Government-funded efforts to promote reform. Through its Energy Partnerships Program, USAID funded a business development project for two utilities—IrkutskEnergo and NovosibirskEnergo—implemented by the U.S. Energy Association (USEA), whose objective is to improve the utilities' commercial business practices through familiarization with the best business practices of U.S. utilities.

USAID Environmental Programs: USAID's Replication of Lessons Learned (ROLL) Project is enabling Russians to identify the best environmental methodologies, technologies, practices and policies and replicate them in other Russian regions and cities. Working in the areas of pollution reduction, sustainable development, health risk assessment, environmental education, and land-use planning, the ROLL Project facilitates the sharing of successful initiatives among government, business, industry, NGOs, and educational and health institutions. Since its inception, the ROLL Project has awarded nearly 200 grants totaling \$5.6 million to Russian organizations to support replication activities in 78 of Russia's 89 regions. A second major USAID environmental initiative is the Forestry Resources and Technologies Project (FOREST), whose major components are forest fire prevention, forest pest monitoring, support to small and medium-sized businesses in timber and non-timber forest products and secondary wood processing, renewable energy alternatives, forest

policy reform, applied forestry research, and forestry grants. The geographical focus of the FOREST project is the Russian Far East (RFE) and Siberia. Major accomplishments include the following:

- USAID's reforestation program in the RFE has resulted in the production of over 2.5 million seedlings in 2000, compared to 6,500 produced before the program was initiated;
- Forest fires in Khabarovsk Krai were reduced by 25 percent due to USAID's purchase of radio and forest fire-fighting equipment, which increased local capacity to detect and effectively combat forest fires;
- Air pollution reduction and improved waste management are taking place due to low- and no-cost measures undertaken in dozens of industrial enterprises;
- USAID helped 210 eco-businesses to grow and to improve their environmental performance;
- A new federal decree on Application of the Risk Assessment Methodology in Russia was adopted by the Russian Government and is being applied throughout the country; and
- A federally targeted program for tiger conservation has stabilized the endangered Siberian tiger population at approximately 400 animals.

USAID's environmental programs focus not only on environmental issues, but also on supporting sustainable economic growth. The economic impact of these programs is significant: they help protect valuable natural resources, and encourage value-added processing, the introduction of new environmentally friendly products and technologies, market linkages and improvement of the investment climate in Russia. In addition, these programs facilitate the creation of new jobs and improve the quality of life by reducing environmental health risks.

U.S. Forest Service (USFS)/USAID Forest Management Training: USFS has a long history of cooperating with Russia to promote sustainable forest management in the Russian Far East, Central Siberia and Sakhalin. USFS is working with the Federal Forest Service of Russia on several projects in the area of forest protection, including fighting forest fires, mitigating global climate change and monitoring forest pests. The Chugach National Forest in Alaska has formed a long-term "sister forest" partnership with the Magadan Nature Reserve in northeastern Siberia focusing on environmental education, ecotourism, wildlife biology and new technology research. In FY 2000, 16 Russians traveled to the United States under programs jointly sponsored by the USFS and USAID's Natural Resources Sustained Forestry Project, 11 of whom participated in a wildland fire suppression program and five of whom participated in a firefighter exchange program. Most of this training took place in Utah and Idaho.

U.S. Fish and Wildlife Service (USFWS): In FY 2000, the USFWS continued to administer a small-grants program to benefit Russian parks and nature reserves, and to promote tiger and bear conservation. The U.S. and Russian Governments signed a treaty on the management of the shared U.S.-Russian polar bear population. USFWS officials also cooperated with their Russian counterparts in the areas of salmonid and coregonid fish conservation; studies of cetaceans and other marine mammals, and other joint conservation-related research projects.

U.S. Coast Guard (USCG): The USCG's Columbia Environmental Research Center cooperates with the Institute for Biology of Inland Waters in the area of aquatic ecology.

U.S. Geologic Survey (USGS): The USGS is working with the Russian Government to bring the Russian National Seismological Network into accordance with the technical standards of the Global Seismographic Network.

National Oceanic and Atmospheric Administration (NOAA): NOAA's Alaska Fisheries Science Center collaborates with Russian scientists at the Pacific Fisheries Research Center on research on the western Bering Sea.

Preview of FY 2001 Programs

In FY 2001, U.S. Government assistance to Russia will continue its regional and grassroots emphases, supporting the development of small business and civil society, as well as health-care reform and environmental activities. Pursuant to Congressional directives, the U.S. Government will continue to target funds away from the Russian federal government and Moscow, towards Russia's reform-minded regions and NGOs. Exchange programs will work to strengthen the valuable partnerships between U.S. and Russian communities and organizations in all sectors and will bring more Russian citizens to the United States to observe democracy and free-market economics first-hand. U.S. Government-funded programs will also continue to address significant obstacles to reform in Russia, including corruption, organized crime, and the overall lack of an effective and comprehensive legal system that can ensure the rule of law. USAID will continue to work with other donors to promote banking and tax reform.

The U.S. Government will also continue to address the threat of proliferation of weapons of mass destruction, dual-use weapons, weapons materials, technology and expertise in Russia in FY 2001. Cooperative Threat Reduction (CTR) activities and nuclear materials security programs will continue to be the highest priority. Scientific collaboration programs will provide alternative employment opportunities to prevent the proliferation of weapons expertise from the tens of thousands of former Soviet weapons scientists in Russia. Also, nonproliferation programs will enhance Russia's ability to prevent illicit trafficking in weapons of mass destruction, dual-use weapons and associated materials.

TAJIKISTAN

Political Overview

In FY 2000, Tajikistan continued its difficult transition from civil war to civil order and from dictatorship to democracy. The peace process, which began with the 1997 signing of accords between the Government of Tajikistan and the United Tajik Opposition (UTO), came to a formal close with two milestone events: presidential elections in November 1999 and parliamentary elections in February 2000, both of which were conducted peacefully. A joint United Nations/Organization for Security and Cooperation in Europe (OSCE) election observation mission concluded that the parliamentary elections, in which several genuinely independent political parties and a number of independent candidates participated, did not meet minimum international standards, but nevertheless compared favorably with the limited choice offered to voters in Tajikistan's previous elections.

With the peace process having formally come to an end, the Commission on National Reconciliation, which had overseen implementation of the peace accords, was disbanded. The UTO likewise disbanded into its constituent organizations, which expressed a commitment to working peacefully within Tajikistan's existing political system. Tajikistan is the only Central Asian country in which a religiously affiliated political party is represented in parliament: the Islamic Renaissance Party holds two seats in the country's new parliament. President Rahmonov, while no longer specifically obliged (as he was under the peace accords) to allocate one-third of government positions to the UTO, has kept some former UTO officials in senior cabinet-level positions. A central government crackdown in early 2000 curtailed the activities of various armed groups in the capital city of Dushanbe, although some others, particularly in parts of the Karategin Valley, continued to remain largely outside government control.

In FY 2000, Tajikistan's fragmented neighbor to the south, Afghanistan, continued to be a base of international terrorism, a scene of civil conflict between the Taliban and their opponents, and the world's largest producer of opium. This combination of negative factors produced cross-border effects that regularly threatened to destabilize Tajikistan's fragile and hard-won peace. During summer 2000, the Islamic Movement of Uzbekistan, a terrorist organization, used Tajikistan as a staging ground for an insurgency campaign against the Government of Uzbekistan. At the same time, Taliban advances in northern Afghanistan threatened to inundate Tajikistan with thousands of refugees. All the while, a constant flow of illegal narcotics transited Tajikistan from Afghanistan on the way to Russian and European markets, leaving widespread violent crime, corruption, and economic distortions in its wake.

Economic Overview

Tajikistan is the poorest NIS country and one of the poorest countries in the world. With foreign revenue precariously dependent on exports of cotton and aluminum, the economy is highly vulnerable to external shocks. In FY 2000, international assistance remained an essential source of support for rehabilitation programs that reintegrated former civil war fighters into the civilian economy, thus helping keep the peace. International assistance was also necessary to address a severe drought and resulting food production shortfall that, by some estimates, threatened to affect half of Tajikistan's population.

Despite resistance from vested interests, the Government of Tajikistan continued to pursue macroeconomic stabilization and structural reform in FY 2000. In December 1999, the Government announced that small-enterprise privatization had been successfully completed, and the privatization of medium-sized and large state-owned enterprises (SOEs) continued incrementally. The continued privatization of medium-sized and large SOEs, land reform, and banking reform and restructuring remain top priorities. Shortly after the end of FY 2000, the Board of the International Monetary Fund gave its vote of confidence to the government's recent performance by approving the third annual Poverty Reduction and Growth Facility Loan for Tajikistan.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$49.30 million in assistance to Tajikistan, including \$33.90 million in U.S. Department of Agriculture (USDA) food aid through the Food for Progress and Section 416(b) Programs, \$9.93 million in FREEDOM Support Act (FSA) assistance, \$140,000 in other U.S. Government assistance, and \$5.33 million in U.S. Defense Department excess and privately donated humanitarian commodities. USAID programs, which accounted for approximately \$7.5 million of FSA-funded assistance to Tajikistan, were focused on the broad areas of democracy and governance, economic restructuring, health sector support, humanitarian assistance and energy and environment. In addition to providing FSA-funded assistance, USAID also provided \$25,000 in assistance through the Child Survival and Matching Grant Programs of its Office of Foreign Disaster Assistance. The U.S. State Department's Public Diplomacy exchange programs accounted for approximately \$1.0 million.

Over the past several years, U.S. Government assistance to Tajikistan has focused heavily on supporting political reconciliation and the establishment of a stable, pluralistic government. This has included direct support for the now-completed peace process, for demobilizing fighters, and for political party development and election administration. The U.S. Government has also promoted the development of a more active civil society in Tajikistan in order to build demand for democratic practices. To facilitate Tajikistan's transition to a market economy, the U.S. Government has helped the Government of Tajikistan rewrite laws and recast the public institutions needed to foster economic growth in a free market. To spur economic growth, the U.S. Government has promoted privatization, commercial law reform, micro-credit programs, agricultural-sector development, and the strengthening of local non-governmental organizations (NGOs). The U.S. Government's regional environmental and energy programs have supported Tajikistan's participation in regional water and energy management programs along with its Central Asian neighbors. U.S. Government-funded assistance in the health-care sector has demonstrated the openness of the Tajik medical community to quality improvements and the willingness of the Ministry of Health to support needed health-sector reforms. In FY 2000, U.S. Government-funded humanitarian assistance programs continued to target vulnerable groups throughout the country. Through extensive U.S. Government-funded training programs, thousands of Tajik citizens from a wide range of sectors have gained the skills needed to move forward with reforms in the public sector and to build a prosperous private-sector economy.

Training and Exchange Programs

Since FY 1993, U.S. Government-funded exchange programs have brought almost 900 Tajik citizens to the United States for short-term professional or long-term academic training, including over 90 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

USAID Training Programs: Training programs continued to be a critical element of USAID's assistance to Tajikistan in FY 2000. These programs, which have proven especially effective when linked to USAID's targeted technical assistance efforts, have helped participants make a positive impact on policy-making in

Tajikistan by exposing them to international practices through in-country, third-country and U.S.-based training. Approximately 3,000 Tajiks participated in USAID training programs this past year. Of this total, USAID trained over 1,980 Tajiks (48% of whom were women) through its Global Training for Development (GTD) Project in FY 2000 in the areas of democratic transition, economic restructuring and social stabilization. A participant in a training course on the role of NGOs in post-conflict societies returned to Tajikistan and founded an NGO to serve the needs of rural NGO leaders, university students, and others who seek to develop their leadership skills. As a result of an exchange between the Tajikistan Center for Citizenship Education and the University of Nebraska at Omaha, the Center designed a program that will facilitate the creation of specialized working groups to solve local-level problems. One of these working groups is actively seeking employment opportunities for women refugees and women heads of household. The Center, which has also been educating the general public on conflict resolution, has been widely publicized in local newspapers.

U.S. Department of State – Public Diplomacy Exchanges: Academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA) continued to support Tajikistan's political and economic transition during FY 2000. Approximately 50 Tajik citizens traveled to the United States on the ECA Bureau's academic and professional exchange programs. The International Visitor (IV) Program sent a number of Tajik decision-makers and opinion-leaders to the United States to learn about the business aspects of education in a market-based economy, U.S. methods of civic education, and the promotion of tolerance in an ethnically and religiously diverse society. Regrettably, political interference by the Tajik Government in the process of participant selection led to the cancellation of a proposed IV program on the role of political parties in a democratic system. In addition, 27 high school, undergraduate and graduate students participated in the ECA Bureau's long-term exchange programs. The experience they gained will support Tajikistan's transition and foster long-term ties between U.S. and Tajik citizens.

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: Disrupted in Tajikistan after the U.S. Embassy in Dushanbe suspended normal operations in October 1998, the SABIT Program resumed operations there in FY 2000, sending three of the country's most highly qualified entrepreneurs to the United States for short-term training programs on oil and natural gas transportation, building and home construction, and environmental technologies for water quality and waste-water treatment. These programs supported Tajikistan's transition to a market-based economy by giving talented managers hands-on experience with U.S. management practices in industries of critical importance to Tajikistan's economy and infrastructure.

Trade and Investment Programs

Central Asian - American Enterprise Fund (CAAEF): The CAAEF was created in 1994 to promote creation of small and medium-sized businesses in Central Asia. The Fund made one direct equity investment in Tajikistan in 1995—in a bottling enterprise—and used to run a small-business lending program that worked through local partner banks. However, the Fund was not active in Tajikistan in FY 2000, and did not make any new investments or loans.

Overseas Private Investment Corporation (OPIC): In its first-ever operation in Tajikistan, OPIC supported a U.S.-based equity fund's investment in a water-bottling plant in the northern city of Ura-Teppa. The plant will produce bottled drinking water for local markets and for export.

Business and Economic Development Programs

USAID Accounting Reform Programs: In FY 2000, Tajikistan began the process of reforming its accounting profession with the help of USAID training in international accounting standards (IAS), practices and principles. Over 150 Tajik bookkeepers completed the first year of training under what will be a four-year certification program. The enthusiasm generated by this initiative prompted trainees to convene a national roundtable, which was financed by the Eurasia Foundation and included participants from Kazakhstan, Kyrgyzstan, Russia and USAID, as well as professional accountants from Tajikistan and Tajik Government representatives. The roundtable's participants discussed how best to introduce IAS in Tajikistan. One concrete measure of this project's impact has been the establishment of an Institute of Professional Accountants and Auditors of the Republic of Tajikistan. In September, the Institute joined the Central Asian Council of Accountants and Auditors.

The Institute is in the process of opening a branch in Khojand, in northern Tajikistan, and plans to begin training programs in both Dushanbe and Khojand. USAID hopes to support the Institute's efforts in FY 2001.

USAID/USDA Micro-Credit Program: A new micro-credit program jointly supported by USAID and the U.S. Department of Agriculture (USDA) and implemented by the U.S. private voluntary organization (PVO) Mercy Corps International, was reaching over 3,000 women as of the end of FY 2000, and is expanding by twenty to thirty women's groups every month, each of which consists of eight to ten women. The total value of the program's outstanding loan portfolio is now \$2.1 million, with loan repayment rates averaging 99 percent.

USAID Farmer-to-Farmer (FTF) Program: The FTF Program fielded eight U.S. volunteers in Tajikistan during FY 2000. Their efforts focused on supporting fledgling agribusinesses in the part of the Ferghana Valley that is located in northern Tajikistan. Several of the FTF volunteers made multiple trips to Tajikistan during the year and were enthusiastically received by their Tajik counterparts.

Democracy Programs

Strengthening Tajikistan's democratic culture is not only essential to reforming the country's political institutions, but is also a cornerstone for building peace in the aftermath of the country's five-year civil war. In FY 2000, U.S. Government-funded democracy programs focused on political party-building, election-related activities such as voter and civic education, electoral law reform, judicial training, human rights (particularly women's rights) training, and reform of the legal profession. Although the February 2000 parliamentary elections were flawed, opposition members did win seats in the parliament, and eight out of 60 women who participated in U.S. Government-funded training won seats in the upper chamber of parliament.

USAID Election-Related Assistance: Despite the shortcomings of the February 2000 parliamentary elections, USAID election-related assistance facilitated a number of significant accomplishments. Technical assistance provided to the Council for National Reconciliation (CNR) and the Central Election Commission (CEC) facilitated the production of a procedural manual for Tajikistan's 2,200 polling stations and exposed these groups to international standards for election administration. The International Foundation for Election Assistance (IFES), a USAID grantee, organized Tajikistan's first-ever candidate debates and helped parties and candidates present their political platforms on national television. Such a degree of opposition party access to the country's national media was unprecedented for Tajikistan, and has seldom been seen elsewhere in the region. In addition, IFES participated in joint election observation activities, provided observer training to party and candidate representatives, and encouraged local NGOs to participate in the electoral process. As a result, several NGOs hosted candidate fora around the country, which involved an estimated total of 15,000 people. After the parliamentary elections, Tajikistan's political parties continued their involvement in the political process and continued to benefit from U.S. Government-funded assistance. The Organization for Security and Cooperation in Europe (OSCE), USAID, and the U.S. Defense Department's Marshall Center jointly organized a roundtable discussion that brought together Tajikistan's political parties for the purpose of maintaining channels of communication between them and to familiarize them with the experiences of other NIS political parties during post-election periods.

USAID NGO Development Programs: USAID grantee Counterpart Consortium helped draft a new NGO law for Tajikistan. As currently framed, this law will give Tajikistan one of the region's most advanced legal frameworks for NGO operations. A series of USAID-funded roundtables and seminars gave the public and local NGOs an opportunity to directly comment on the proposed law. The final version of the draft law was published in July for public comment prior to submission to the Parliament. USAID-sponsored Civil Society Support Centers disseminated information on the draft law and provided a place where NGOs could share ideas and receive training. USAID's local implementing partners hosted 170 training workshops during the year, drawing 2,500 participants from over 1,000 local NGOs, community-based groups and other organizations. Small seed grants were also provided to 29 Tajik NGOs to support efforts in a broad range of sectors.

USAID Support for Independent Media: USAID's efforts to promote independent media in Tajikistan made notable progress in FY 2000, particularly in the area of media advocacy. Thanks to a USAID-supported analysis, a draft law on information that would have implemented overly stringent regulation of the Internet and licensing of Internet providers was rejected by Tajikistan's executive branch of government. Nineteen media outlets received USAID-funded training on topics such as in-depth reporting, the legal rights of media, and journalistic ethics. The USAID-supported national news exchange "*Paighom*" ("News from Afar"), which is now

being aired weekly and has 17 contributing correspondents—50 percent more than in FY 1999. NANSMIT, a USAID-supported journalists' association, has developed into an active advocacy organization with 22 members. NANMSIT received a Eurasia Foundation grant to produce *Law and Practice*, a series of bulletins providing information on media law to journalists and media outlets around the country.

USAID Community Reconciliation Program: To provide additional support to the peace process, USAID funded a tolerance education program through NGOs in Dushanbe that was enthusiastically received by both students and teachers.

Democracy Fund Small Grants Program: In its first year of operations, the U.S. Embassy's Democracy Commission awarded almost \$100,000 in small grants supporting the development of a healthy non-governmental sector, with a focus on helping newly formed NGOs that have innovative proposals for democratic development, as opposed to supporting established NGOs that are already skilled at winning grants from donor agencies. The Democracy Commission awarded 13 grants to NGOs working in fields such as civic education and women's issues and made possible the start of a new independent newspaper and the revival of a previously existing one.

U.S. Department of State – Internet Access and Training Program (IATP): In FY 2000, the ECA Bureau launched IATP in Tajikistan by opening a public-access Internet site, which began providing Internet access and training to alumni of U.S. Government-funded exchange programs and others in order to promote the free flow of information and to encourage program alumni to network with their U.S. counterparts.

USAID Legal and Judicial Reform Programs: FY 2000 saw some notable successes in the area of legal reform in Tajikistan. Technical assistance provided by USAID-funded advisors facilitated the development and passage of the first and second parts of Tajikistan's revised Civil Code. The close working relationship built through this effort enabled the U.S. Government to continue providing legislative drafting assistance to the Tajik Parliament and presidential administration. With assistance from USAID contractor Associates in Rural Development (ARD)/Checchi, Tajikistan's Council of Justice held its first two judicial examinations. ARD/Checchi helped develop and administer the tests, and observed the testing and scoring process. This represented the first step in establishing an open and transparent process for appointing judges in Tajikistan. ARD/Checchi also compiled a legal database that provides lawyers and judges with Tajikistan's full body of law in one, easily accessible reference source for the first time in the country's history.

U.S. Department of State – Law Enforcement Training: The Bureau of International Narcotics and Law Enforcement Affairs (INL) helped prepare senior and working-level Tajik law enforcement officials by sponsoring training courses, seminars and conferences, mainly at the International Law Enforcement Academy (ILEA) in Budapest. In addition to ILEA training, Tajik law enforcement officials participated in a training course in post-blast investigative techniques sponsored by the Bureau of Alcohol, Tobacco and Firearms, export-control forums in Tbilisi and Washington, D.C., sponsored by the Departments of State and Commerce, drug enforcement seminars sponsored by the U.S. Drug Enforcement Administration, and regional prosecutorial development and assistance conferences sponsored by the U.S. Department of Justice. Law enforcement training programs prepared Tajik participants for combating terrorism, narcotics trafficking, and weapons proliferation, and educated them about law enforcement in a context of rule of law and human rights.

Environmental Programs

USAID Regional Water Management Programs: The skills and knowledge of Tajik water and energy officials improved as a result of their participation in several USAID-funded Central Asian regional activities. With USAID training and technical assistance, Central Asian water resource managers developed a regional water-use optimization model for the Syr Darya Basin, which will help them make more efficient use of the region's water resources for energy and irrigation purposes.

Humanitarian and Social-Sector Programs

In FY 2000, through USAID and the U.S. Departments of Agriculture and State, the U.S. Government provided a substantial amount of humanitarian assistance designed to meet immediate human needs while at the same time promoting peace and social stability.

USAID Reconstruction and Reintegration Activities: The USAID-supported Rehabilitation, Reconstruction and Development Program of the United Nations Office of Project Services (UNOPS) implemented job-creation activities that provided employment opportunities for over 1,200 ex-combatants in the Karategin Valley, a focal point of the former opposition and home to a large concentration of ex-fighters. The UNOPS program also supported the reconstruction of houses, schools, clinics and other public infrastructure in several areas that were hard-hit by the country's civil conflict, directly benefiting over 20,000 families. Notably, this successful project used contracts with local firms to implement rehabilitation activities, thus stimulating the local economy in depressed areas.

USAID Agricultural Programs: In FY 2000, USAID supported agricultural programs in a number of regions, including the Karategin Valley (Gharm and nearby Tavildara) and the Leninskiy District near Dushanbe. These programs helped improve farming practices, increase farmers' income, and support farm privatization efforts. Results from these activities have been remarkable: wheat and potato yields increased three to four times in areas around Dushanbe, with similar increases seen in the newer Karategin Valley program.

U.S. Department of Agriculture (USDA) – Food Assistance: USDA's Food for Progress and Section 416(b) Programs played a key role in meeting the U.S. Government's humanitarian objectives, while at the same time laying the foundation for longer-term development in Tajikistan. Four private voluntary organizations (PVOs)—Mercy Corps International, CARE, the Aga Khan Foundation and Save the Children Federation—used USDA food commodity grants to provide direct nutritional support to Tajik citizens and to generate local currency to finance community development projects. Over 50,000 pregnant, lactating and anemic women received direct nutritional supplements, and more than 20,000 school children benefited from a feeding program that addressed nutritional needs and also encouraged families to send their children to school. The program also distributed free food to the elderly and children in orphanages and boarding schools. The PVOs used monetization proceeds to support the rehabilitation of schools and irrigation systems, bringing hundreds of hectares of irrigable land back into productive use. All together, these cash-for-work activities employed over 2,200 people, providing a much-needed economic boost to hard-hit communities suffering from 33- to 40-percent unemployment rates. In FY 2000, the Government of Tajikistan attempted to tax the proceeds of monetized USDA-donated food commodities, in violation of the bilateral agreement between the United States and Tajikistan on humanitarian assistance. The Tajik Government eventually agreed to recognize its obligations under the bilateral agreement, but the taxation incident caused a delay in the delivery of FY 2000 Food for Progress commodities until FY 2001. Although USDA had budgeted a total of \$33.9 million for PVO food assistance to Tajikistan, approximately \$4 million in commodities that were to have been provided in FY 2000 will be delivered in FY 2001 because the relevant agreements were not signed until early in the new fiscal year.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS transported an estimated \$5.33 million in privately donated humanitarian commodities—primarily medicines, medical supplies and food—to Tajikistan at a cost of approximately \$420,000 to the U.S. Government. These commodities were distributed through various U.S. PVOs, including Counterpart International.

USAID Health Care Partnerships: The long-standing USAID-funded partnership between the Ministry of Health and the Community Hospital in Boulder, Colorado, continued to provide equipment and training to mid-level medical staff, with an emphasis on family health care services. USAID's efforts to improve primary health care in Tajikistan were supported by the opening of a Family Medicine Training Center under the auspices of the Ministry of Health. This center will be an institutional partner under USAID's expanded health program planned for FY 2001.

Security Programs

While the Government of Tajikistan has expressed some interest in joining the Partnership for Peace, it did not do so in FY 2000 and was therefore not eligible for support under the Warsaw Initiative. The Tajik Government has made a commitment to cooperate with the U.S. Government on countering the proliferation of weapons of mass destruction and other illicit trafficking.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2000, the U.S. Government initiated limited EXBS assistance to Tajikistan focused on developing and enhancing the country's counter-proliferation capabilities. The Government of Tajikistan announced its willingness to

participate in the EXBS-funded Central Asian Regional Communications Link, which will strengthen intra-governmental coordination on border security, and will help Tajikistan and its neighbors tighten control over trafficking of illegal narcotics and the movement of international terrorists. Detection equipment provided by the U.S. Customs Service will help inhibit potential cross-border trafficking of weapons of mass destruction.

U.S. Department of Defense (DoD) Training Programs: In FY 2000, DoD funded the participation of 13 Tajik students in courses at the Marshall Center for Security Studies in Germany. DoD also funded the participation of 17 Tajiks (including the First Deputy Prime Minister) in Marshall Center conferences in Germany and two seminars in Tajikistan—one on political parties (organized jointly with the OSCE) and another on economic development and institution-building (organized jointly with the United Nations Office for Project Services).

Cross-Sectoral Programs

Eurasia Foundation: In FY 2000, the Eurasia Foundation continued to operate a small grants program in Tajikistan, awarding 17 grants totaling over \$376,800 to Tajik NGOs in the areas of civil society-building, private enterprise development and public administration and policy.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2000, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2001 Programs

The U.S. Embassy's Public Affairs Section plans to organize an International Visitor (IV) program on legislating in a democratic system for new members of the Tajik Parliament. Other IV programs will address public/media relations, HIV/AIDS awareness, English-language training, and local public administration. Public Diplomacy academic exchange programs will continue to provide U.S.-based training opportunities to young Tajiks to help them become their country's future leaders in civil society, government and business. Through law enforcement training programs and security programs, the U.S. Government will continue to strengthen Tajikistan's law enforcement and export control and border security capabilities, with an emphasis on counter-terrorism and counter-proliferation.

USAID plans to expand its programming in Tajikistan in FY 2001, if the security situation allows. If there is continued peace and stability in the country, USAID's portfolio of humanitarian assistance programs will be recast to support longer-term development objectives. Democracy and governance programs will seek to help the Tajik Parliament gain the competence and confidence needed to act as a credible counterweight to the executive branch. USAID will support legal reform efforts, encourage the development of the legal profession, and seek to increase the effectiveness and sustainability of civic organizations, particularly women's groups. A new initiative will promote civic education through curriculum development and will seek to establish links between students and government officials. In addition, USAID will continue its efforts to increase citizens' access to information.

As part of its efforts to support Tajikistan's transition to a market economy, USAID will implement a regional business training project that will provide greater support to Tajik entrepreneurs and help local universities strengthen their business education programs. Expanded legislative drafting assistance will be provided to the parliament and presidential administration in a number of key areas affecting investment and trade. USAID's NGO partners will continue their efforts to support private farmers and increase access to micro-credit.

In the health sector, USAID's new regional health reform implementing consortium, led by ABT Associates, will work with counterparts from Tajikistan's Ministry of Health to introduce the highly successful family practice health care model that is currently being implemented in Kyrgyzstan. This model focuses on improving both the quality and the budgetary resources for primary health care services, the main recipients of which are children and women of reproductive age. In addition, USAID will focus on improving reproductive health through grants to U.S. private voluntary organizations (PVOs) working in Tajikistan. USAID will also fund new initiatives

addressing infectious diseases, including a malaria control program and pilot program based on the World Health Organization's (WHO) Directly Observed Therapy Short Course (DOTS) tuberculosis control program. USAID is engaged in dialogue with the World Bank, WHO and other donors to effectively coordinate activities in the health sector.

In FY 2001, USAID will conduct a demonstration of the use of agri-forestry as a means for drainage of water-logged soils. In addition, with assistance from the U.S. National Oceanic and Atmospheric Administration (NOAA) under a broader Central Asian initiative, Tajik water and climate officials will better be able to forecast and allocate water resources based on snowmelt data. In addition, Tajiks will participate in regional discussions on trans-boundary cooperation in using shared water resources, the goal of which is to draft and implement internationally recognized agreements.

TURKMENISTAN

Political and Economic Overview

In FY 2000, President Niyazov continued to tighten his control over political, social and economic life in Turkmenistan. In December 1999, Niyazov engineered his appointment as "president for life." There is no visible political dissent within Turkmenistan. The Turkmen Government has forced most opposition to Niyazov into exile, although several of his political opponents are still imprisoned in Turkmenistan. The Democratic Party, the successor to Turkmenistan's Communist Party, has a monopoly on political power. The Mejlis, Turkmenistan's parliament, meets irregularly and has no real authority. The judicial branch is unreformed from Soviet times and also provides no check on executive power. Turkmenistan's foreign policy of "permanent neutrality" places an emphasis on the country's political and economic self-reliance and limits its involvement in regional and international organizations.

Turkmenistan's economy is still almost entirely under state control. The government has pursued import-substitution policies in many sectors, especially in agriculture, which represents the largest sector of the economy. Official statistics show strong growth in the national economy after nearly a decade of continual decline; however, these statistics are neither reliable nor readily available, as the government treats basic indicators such as inflation and GDP growth as confidential information. It is therefore impossible for outside observers to measure growth accurately, but the Turkmen Government's claims are almost certainly untrue. Turkmenistan's agricultural sector is unreformed and, according to unofficial estimates, has remained static or declined over the past few years, despite government-mandated increases in production of the country's two principal crops, cotton and wheat. The main factors limiting the potential of agriculture in Turkmenistan are the scarcity of water resources, and the inefficient management of what little water is available for irrigation. On the other hand, Turkmenistan has large deposits of oil and gas, and is able to finance its economic policies through gas sales, most of which are still to Iran, Russia and other CIS countries.

Turkmenistan's overall debt situation remains worrisome. The country's external debt is estimated at almost \$2 billion, and the Central Bank has virtually no official reserves. The government is technically in default to various international creditors. The International Monetary Fund (IMF) includes Niyazov's Foreign Export Reserve Fund (FERF), which it estimates at \$1.5 billion, in its calculation of Turkmenistan's official reserves but President Niyazov has made it clear that these funds are not available to meet Turkmenistan's external debt obligations. Turkmenistan's fiscal deficit is less clear. The government claims that it is running a budget surplus, but the budget is not transparent and many government ministries are required to cover their own expenditures. Expenditures for large showcase projects designed to beautify the capital city of Ashgabat and to improve the nation's infrastructure continue to mount. Meanwhile, foreign investment other than in the country's oil and gas sector is small and is probably declining. Convertibility problems top the list of problems faced by foreign investors. The official exchange rate, to which foreign firms are forced to adhere, is roughly a fourth of the black-market rate. Foreign firms are unable to convert Turkmenistan's national currency, the manat, back into hard currency without substantial losses. The dual exchange rates also fuel official corruption, as individuals with access to foreign currency at the official exchange rate are able to profit through arbitrage. Official corruption is another principal obstacle to foreign investment. All in all, Turkmenistan's near-term political and economic outlook offers few prospects for serious reforms that would build the necessary foundation for long-term economic growth and democracy; however, the country has great political and economic potential.

Overview of U.S. Government Assistance

As in previous years, the mixed results of U.S. Government-funded assistance programs in Turkmenistan in FY 2000 reflected President Niyazov's refusal to permit broad-based economic or political reform. As a result, U.S. Government-funded assistance to Turkmenistan was increasingly directed toward people-to-people programs such as training and exchanges. In FY 2000, the U.S. Government provided an estimated \$16.56 million in assistance to Turkmenistan, including \$6.19 million in FREEDOM Support Act (FSA) assistance, \$4.70 million in other U.S. Government assistance, and \$5.66 million in U.S. Defense Department excess and privately donated humanitarian commodities. The U.S. Government sought to expand Turkmenistan's private sector and strengthen the entrepreneurial skills of Turkmen citizens. USAID's private-sector development programs, which provide credit, technical expertise and training, increasingly targeted small and medium-sized enterprises. To facilitate the growth of small, competitive businesses, USAID initiated a micro-credit program. The objectives of USAID's modest-sized democracy programs in Turkmenistan were to encourage citizen participation, foster democratic concepts, and facilitate access to information. USAID pursued these objectives by supporting the efforts of non-governmental organizations (NGOs) in the areas of civic and legal education, as well as community development and self-help activities. U.S. Government-funded humanitarian assistance was targeted at vulnerable groups such as the elderly, the disabled and disaster victims.

Training, Exchange and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought almost 1,000 Turkmen citizens to the United States for short-term professional or long-term academic training, including some 110 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

USAID Training Programs: In FY 2000, USAID's Global Training for Development (GTD) Project conducted a total of 31 programs for 426 Turkmen participants: four U.S.-based programs for a total of nine participants; 15 third-country programs for a total of 44 participants and 12 in-country programs for a total of 373 participants. Training topics included oil-spill response, oil and gas regulation, NGO-sector development, asset liability management and bank supervision.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2000, approximately 70 Turkmen citizens participated in academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA), including 38 high school students, six undergraduates students and twelve graduate students. Five Turkmen teachers and two U.S. teachers participated in the Teaching Excellency Awards Program, which was introduced in Turkmenistan in FY 2000. Under this program, 22 Turkmen schools received much-needed computer equipment and materials. In addition, nine Turkmen citizens participated in International Visitor (IV) programs focusing on topics ranging from the U.S. judicial system to water resource management. The Future Leaders' Exchange (FLEX) Program for secondary school students continued to be one of the most popular U.S. Government-funded programs, with over 1,000 applying this year for a very limited number of slots.

U.S. Department of State – NIS College/University Partnership Program: Since September 1998, the ECA Bureau has been supporting a university partnership between Texas A&M University and Turkmen State University (TSU) that aims to create an world-class business school at TSU by developing faculty expertise, curricula, classroom infrastructure and short-term business training programs for professionals. Over the past several years, this project has experienced difficulties due to interference by the Turkmen Government. Specifically, President Niyazov refused to approve entering classes of students in fall 1998 and fall 1999 and recommended a shorter curriculum. The original class of fifty students nevertheless continues to study and will graduate this spring. To address the admissions approval problem, the U.S. and Turkmen partner institutions are considering instituting shorter applied business curricula for college graduates and further developing their coursework for professionals—two areas that the Turkmen Government supports. In the meantime, the partnership has focused heavily on faculty exchanges. Eight Turkmen instructors have been trained at Texas A&M, and Texas faculty have made numerous trips to TSU. Both faculties are extremely dedicated to the project and have made significant progress, including substantial improvements to classroom workspace. The project has established a fully equipped computer lab with Internet capabilities, overhead projectors, a copying machine, and numerous U.S. textbooks translated into Russian and Turkmen.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2000, USDA's Cochran Program provided two-week training for 13 Turkmen agricultural specialists, including private farmers and government officials, in the areas of agricultural marketing, water management, plant protection and pesticide management. (Please see the USDA – Cochran Fellowship Program section in Part III of this report.)

U.S. Department of Commerce – Special American Business Internship (SABIT) Program: In FY 2000, the SABIT Program provided short-term internships for six Turkmen participants. (Please see the U.S. Department of Commerce – SABIT section in Part III of this report.)

Private-Sector Development and Economic Reform Programs

USAID Economic Restructuring Programs: For the past several years, the U.S. Government had sought to encourage the Turkmen Government to restructure and reduce its role in the national economy—a prerequisite for increased private-sector growth and international trade and investment in Turkmenistan. To this end, USAID was providing technical assistance aimed at creating sound fiscal, trade and investment policies, management practices, and better commercial and business laws. However, due to the paucity of results from these efforts, USAID has closed out its technical assistance programs dealing with trade and investment and privatization. The lack of success in promoting economic restructuring in Turkmenistan has also called into question donors' expectations regarding the development of an efficient, competitive private sector. Given these concerns, USAID is changing the focus of its private-sector support activities to target younger entrepreneurs and smaller and newer businesses.

Central Asian - American Enterprise Fund (CAAEF): In FY 2000, the CAAEF continued to provide financing to private Turkmen businesses and training to bank and borrower-institution personnel in financial analysis and forecasting. The CAAEF also made its largest single investment in Turkmenistan, a cotton-spinning factory that currently employs more than 400 workers, almost 80 percent of them women. From 1996 through the end of FY 2000, the CAAEF had approved approximately \$8.4 million in loans and investments. In addition, the CAAEF also implemented a micro-credit program that approved \$300,000 in loans to 15 borrowers. The CAAEF also restructured its two large investments, bringing the total financing it has provided in Turkmenistan since 1996 to almost \$9 million. Although there were a few promising economic reforms in FY 2000—namely, the repeal of a 20-percent tax on hard-currency purchases and a reduction of social security taxes to 20 percent—the currency conversion issue remains a problem for the Fund and its Turkmen borrowers, many of whom have fallen into arrears or delinquency as a result. These developments led the CAAEF to suspend further lending in August 2000 until the currency conversion problem is resolved.

USAID Micro-Credit Program: Under a grant from USAID, Mercy Corps International (MCI) initiated a micro-credit program targeting small businesses with a high growth potential. The program approved \$290,000 in loans of up to \$25,000. Despite currency conversion delays, all but one loan was repaid as expected.

USAID Private-Sector Support Programs: In FY 2000, the International Executive Service Corps (IESC) office in Turkmenistan implemented 18 USAID-supported private-sector projects in the areas of food processing, publishing, agricultural development, retail sales, banking and business education. Volunteer U.S. executives directly assisted small and medium-sized private businesses, increasing their understanding of a market-based economic system, building their technical capacity and introducing them to basic management techniques and financial analysis skills. IESC also provided business information services and organized site visits for U.S. firms. IESC's work with private entrepreneurs and commercial banks resulted in an upgrading of business standards in Turkmenistan, thus contributing to the development of private enterprise. IESC volunteers lectured at several of the economics and business faculties at Turkmenistan's universities. In addition, IESC helped carry out an assessment of a private business school in the Dashoguz Region.

USAID Farmer-to-Farmer (FTF) Program: In FY 2000, Winrock International fielded 14 U.S. volunteers on 11 FTF assignments, providing assistance to more than 2,000 Turkmen farmers and entrepreneurs. FTF volunteers worked on issues such as on-farm production, association development, water management and civil-society development. Winrock volunteers also helped establish six rural associations of private farmers that operate as self-governed cooperatives. These cooperatives have a total membership of just under 300 and are involved in water resources management and various types of crop production and processing. The establishment of these six rural cooperatives is a major achievement: they provide a unique and much-needed alternative to the collapsing system of state-run collective farms. In addition to improving members' skills in

association development and water resource management, FTF volunteers assisted their Turkmen counterparts with horticulture production, milk processing, mushroom production, and honey production and processing.

USAID Budget Reform Programs: Despite a general phase-out of technical assistance to the central government in the area of economic reform, USAID continued to support budget reform efforts for the time being, given the continuing involvement of other donors. The Turkmen Government demonstrated a certain degree of commitment to budget reform in FY 2000. The Ministry of Economy and Finance adopted internationally recognized financial and accounting classifications and coding, and upgraded the analytical and computer capabilities of its budget department. The number of agency budgets and autonomous funds now included in the budget documents submitted to the Turkmen Parliament has substantially increased, although the Ministry's management control still remains weak. The importance of improved national financial management is clearly recognized by the other donors as well. The World Bank and United Nations Development Program (UNDP) are supporting programs that complement the U.S. Government's efforts in this area.

USAID Energy-Sector Programs: In FY 2000, USAID-funded advisers continued to promote the development of an effective regulatory framework for Turkmenistan's oil and gas sector by facilitating the implementation of the country's newly adopted oil and gas rules and regulations, organizing workshops and study tours to enhance the capabilities of regulatory agencies, and promoting international standards and practices. The advisors drafted a pipeline law to promote the development of a modern legal and regulatory framework for Turkmenistan's pipeline transportation sector, including a tariff methodology based on the cost of services. USAID also funded a comprehensive audit of Turkmenistan's deteriorating oil and gas education and research activities and recommended strategies to bring them up to international standards.

Democracy Programs

U.S. Department of State – Internet Access and Training Program (IATP): IATP continued to advance the free flow of information by providing access to and training in the use of the Internet, primarily to alumni of U.S. Government-funded exchange programs. The IATP site in Turkmenistan is administered by the International Research and Exchanges Board (IREX).

Democracy Fund Small Grants Program: The U.S. Embassy's Democracy Commission was launched with great success in FY 2000. The Commission received 43 applications from small initiative groups and awarded 18 small grants totaling approximately \$100,000. Projects supported by the Commission focused on topics such as civic education, the free flow of information, women's issues, community self-help, democratic institution-building, and education in free-market concepts, and included an Internet café run by a youth group, a series of business seminars for disabled citizens, a teacher resource center, an ecological camp teaching civic responsibility and leadership skills, a series of journalism workshops, and a regional NGO conference that will result in the development of a regional network of NGOs.

USAID NGO Development Programs: In FY 2000, Turkmenistan's Ministry of Foreign Affairs granted official accreditation to the Counterpart Consortium, a U.S.-based NGO that is implementing a USAID-funded NGO support initiative for Central Asia. Counterpart was the first international organization to gain this status in Turkmenistan, reflecting the Turkmen Government's reluctant consent to continued civil-society development. Counterpart's assistance strategy takes into account the lack of an enabling environment for NGO development and the Turkmen Government's suspicious attitude towards NGOs. Counterpart's programs focus on the following areas: (1) regional outreach, including a program that builds the skills of a local water users' association to manage the delivery system of clean water to rural communities served by a USAID-built reverse osmosis water plant in Turkmenbashi Etrap in Dashoguz Province; (2) educating the public and government about the role of NGOs, in conjunction with its partner organization, the International Center for Not-For-Profit Law (ICNL); (3) promoting social partnership through activities designed to establish dialogue between local governments and NGOs; (4) hosting an NGO donor subgroup to encourage partnerships and channel international donor resources to deserving NGOs; and (5) assuming a lower profile in NGO development, thus encouraging Turkmen NGOs to take the lead in this process. Over 1,500 members of some 200 Turkmen NGOs and civic groups participated in Counterpart training programs in FY 2000, bringing the cumulative number of participants in these programs to 2,500. To follow up on the results of this training, Counterpart awarded 22 grants totaling \$122,000, eight of which were partnership grants and 14 of which were NGO support grants. In addition, Counterpart organized over 18 roundtables in FY 2000, including a number of presentations

conducted by NGOs at regional and district government offices. Counterpart's community-based activities promoted citizen participation in local decision-making—an infrequent occurrence in highly centralized Turkmenistan. Counterpart worked closely with other international organizations such as the Soros-funded Open Society Institute, the United Nations, and British Know-How Fund to send more than 80 Turkmen NGO representatives to international conferences on themes ranging from gender and development, to refugees and advocacy. Upon their return, the participants shared their new knowledge with their NGO colleagues at focus groups and roundtables hosted at Counterpart offices and organized by the NGOs themselves. Significantly, Counterpart's fundraising efforts on behalf of Turkmen NGOs led the Embassy of New Zealand to donate \$5,000 to support the water users' association in Dashoguz. In all, Counterpart leveraged over \$309,000 in support from other donors to Turkmen NGOs in FY 2000.

USAID Rule-of-Law Programs: In FY 2000, the American Bar Association's USAID-funded Central and East European Law Initiative (ABA/CEELI) helped establish the first-ever Law Students' Association at the University of Turkmenistan, which now represents 50 percent of the country's law students. The Association continues to increase its membership and is therefore in a position to become a sustainable, professional organization with a strong leadership core. ABA/CEELI's Advocacy Skills Program helped law students become successful junior advocates and win honors at regional competitions. For example, in August 2000, the Turkmen State University team won awards for best overall team, best oral advocates, and best written argument at the Central Asian Debate Championship in Tashkent, Uzbekistan. These law students are now using their new skills in outreach programs throughout Turkmenistan, conducting a series of ABA/CEELI-funded "street law" workshops in all five *velayats* (regions). Through these workshops, ABA/CEELI has brought legal and civic education to thousands of Turkmen secondary school students.

U.S. Department of State – Law Enforcement Training: As Turkmenistan continues to be a popular transit country for drug traffickers, U.S. Government-funded law enforcement training has increasingly focused on increasing the country's counter-narcotics capabilities. In addition, the U.S. Government provided assistance and training for police academy instructors, major criminal case investigators and other law enforcement officials.

Security Programs

U.S. Department of State – Export Control and Related Border Security Program (EXBS): In FY 2000, the U.S. Department of State allocated \$485,000 under the EXBS Program to help Turkmenistan develop its nonproliferation capabilities. This assistance was focused on enhancing the Turkmen Government's capabilities to interdict illicit trafficking in weapons of mass destruction, dual-use weapons and weapons-related materials. This is a particular concern in Turkmenistan, which lies along centuries-old trade and smuggling routes running both north-south and east-west. The U.S. Government also proposed that Turkmenistan participate in the EXBS-funded Central Asian Regional Communications Link, which will strengthen intra-governmental coordination on border security, and will help Turkmenistan and its neighbors tighten control over trafficking of illegal narcotics and the movement of international terrorists.

Regional Security and Stability Programs: In FY 2000, Turkmenistan's Ministry of Defense continued to maintain a consistent, but low-profile relationship with the U.S. Department of Defense (DoD). Turkmenistan received \$313,000 in assistance under the International Military Education and Training (IMET) Program and \$600,000 in Foreign Military Financing (FMF). Under the Excess Defense Articles (EDA) Program, the Government of Turkmenistan received an 82-foot U.S. Coast Guard patrol boat that will enable Turkmenistan's maritime border guard to improve its nonproliferation and export control capabilities. In addition, the U.S. Government continued to provide counter-narcotics training to Turkmenistan's border guards, and follow-on training visits are scheduled for FY 2001. (For more detail, please see Security Programs Section in Part III of this report.)

Social-Sector and Humanitarian Assistance

USAID Health Care Programs: In FY 2000, USAID continued its efforts to improve health care in Turkmenistan through health partnerships, reproductive health programs, and the surveillance and treatment of tuberculosis and other infectious diseases. With support from USAID, Abt Associates organized a regional conference in Ashgabat on the results of health care reform in Central Asia. Wherever possible, USAID sought to partner Turkmen Government agencies with NGOs in the provision of social services.

- **Health Partnerships:** Since its launching in FY 1999, the USAID-funded partnership between Turkmenistan's Ministry of Health and the University of North Dakota has made progress in the area of retraining Ashgabat's family physicians in primary health care. The U.S. and Turkmen partners have identified training needs and designed a training curriculum that meets those needs. Through this partnership, the Ashgabat Emergency Services Training Center continued to upgrade the skills of the country's emergency service staff and to serve as a model for similar health partnerships elsewhere in Central Asia.
- **Infectious Disease Programs:** With USAID support, the Centers for Disease Control and Prevention (CDC) continued to work with Turkmenistan's Ministry of Health to improve the Ministry's infectious disease control, prevention and surveillance systems. In FY 2000, CDC helped set up a tuberculosis reference laboratory and a hepatitis laboratory. Through CDC and Project HOPE, USAID initiated a Direct Observed Short Course Therapy (DOTS) tuberculosis pilot program in Ashgabat.
- **HIV/AIDS Program:** With USAID support, the United Nations AIDS Program (UNAIDS) began a syndromic management program for family physicians in rural areas.
- **Reproductive Health Programs:** Counterpart Consortium initiated a project to strengthen the capacity of Turkmen NGOs to work with local communities on reproductive health activities. In addition, Macro International collected data from 9,000 Turkmen women for a USAID-funded demographic health survey on reproductive health, which will help USAID target future assistance in this area.

Counterpart Humanitarian Assistance Program (CHAP): In FY 2000, with support from USAID, CHAP started providing support for a national tuberculosis program, strengthening the delivery of health care services in the Aral Sea ecological disaster area and delivering shipments directly to Turkmenistan's five *velayats* (districts). CHAP also delivered two 40-foot containers of humanitarian daily rations and is planning to deliver the first shipment of wheelchairs to Turkmenistan's Coalition of NGOs. CHAP has started to diversify the humanitarian commodities that it transports to Turkmenistan. To date, CHAP has delivered 71 shipments consisting of various medical equipment and supplies for the Ministry of Health and Medical Industry, including clothing, footwear, humanitarian daily rations, bedding, cloth, and emergency items worth approximately \$10 million.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS expended approximately \$400,000 to deliver \$5.66 million in humanitarian commodities to Turkmenistan. These commodities were distributed by Counterpart International.

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2000, USDA allocated \$1.23 million for the provision of food commodities to Turkmenistan as part of the American Red Cross's Aral Sea Regional Program: \$389,000 through USDA's Section 416(b) Program and \$844,000 through its Food for Progress Program. The beneficiaries of this assistance included 18,000 isolated elderly, orphans, invalids and families with special needs in the Dashoguz Region.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2000, the Eurasia Foundation continued to operate a small-grants program in Turkmenistan, awarding approximately \$38,400 in grants to Turkmen NGOs in the area of private-enterprise development.

Peace Corps: As of the end of FY 2000, there were 64 Peace Corps volunteers in Turkmenistan: 18 in the health sector, focusing on community, maternal and child health; 41 teaching English as a foreign language, English-language teaching methodologies, and English for special purposes; and five in business education. A total of 54 new Peace Corps trainees arrived in Turkmenistan at the end of FY 2000: seven in business education, 18 in English-language education, and 29 in community health education. In addition, the Peace Corps' Small Project Assistance (SPA) Program funded seven community-based projects implemented by Peace Corps volunteers, including the installation of a school heating system, the establishment of an English language and computer resource center, two anemia prevention projects, two English-language-immersion summer camps and a methodology conference for female teachers. Peace Corps volunteers worked with other U.S. Government assistance providers, including the U.S. Embassy's Public Affairs Section, Counterpart International, Aid to Artisans, as well as with other donors, to identify and support local Turkmen initiatives to develop community resources.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2000, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2001 Programs

Given the Turkmen Government's continued refusal to permit broad-based economic and political reform, the U.S. Government will place an even greater emphasis on assistance programs targeting Turkmenistan's next generation of leaders. To this end, the U.S. Government intends to expand its exchange programs and training activities, on the premise that, dollar for dollar, these programs offer the greatest return on the U.S. Government's investment, as far as promoting Turkmenistan's long-term development is concerned. The U.S. Embassy will continue to monitor ongoing U.S. Government-funded assistance programs in Turkmenistan and reduce those that are producing little or no sustainable results. U.S. Government-funded assistance will continue to support the improved delivery of health care services, the development of civil society and the rule of law, and private-sector growth. In conjunction with other donors, including the United Nations Development Program (UNDP) and the World Bank, the U.S. Government may also continue to provide assistance with budget reform.

USAID will expand its assistance in the areas of reproductive health and infectious disease surveillance and control, with an emphasis on hepatitis and the Directly Observed Therapy Short Course (DOTS) tuberculosis control program. USAID also expects to continue its support for training family physicians and providing reproductive health education. Whenever possible, USAID's health-related activities will continue to partner civic and community-based organizations with Turkmen Government health services.

U.S. Government-funded assistance in the area of democracy-building will focus on illustrating that civic organizations can work in partnership with government services for the benefit of the communities they serve. Proposed rule-of-law activities will include assistance in strengthening the professionalism and ethical practices of lawyers and providing increased access for citizens and officials to Turkmen and international legislation.

USAID's private-sector support programs will focus on smaller-scale enterprises and activities promoting entrepreneurial development. USAID anticipates supporting a micro-credit program and business training and education in collaboration with the U.S. Embassy's Public Affairs Section, the Peace Corps and international donors.

UKRAINE

Political and Economic Overview

Ukraine's presidential election dominated the beginning of FY 2000, with incumbent President Leonid Kuchma winning a second term in a November 1999 run-off against a communist opponent. Though international observers cited some irregularities in the voting and during the campaign—in particular, unbalanced media coverage favoring the incumbent and the involvement of government officials on Kuchma's behalf—the results were generally thought to reflect the will of the people. The formation of a pro-presidential center-right parliamentary majority in January accelerated the passage of legislation critical for reform, and allowed the ratification of many of international treaties and agreements, including the U.S.-Ukraine Mutual Legal Assistance Treaty, the Open Skies Agreement and the NATO Partnership for Peace Status of Forces Agreement. In December 1999, President Kuchma named a new Prime Minister, Viktor Yushchenko, who is widely regarded as the most reform-minded Prime Minister in post-Soviet Ukrainian history. In April, the citizens of Ukraine voted in a nationwide referendum to amend the constitution to expand presidential powers. Debate over implementation of the referendum results and other important economic and political reforms dominated the fall session of parliament.

Despite the slow pace of basic structural reform in most sectors, Ukraine's economy is improving. From January through September 2000, the economy expanded by over two percent in real terms (year-end numbers were even higher), making 2000 the first year since Ukraine's independence that the country's economy has grown. The most rapid growth was recorded in trade and light industries such as food processing and packaging. Exports of some traditional commodities such as steel and chemicals also grew significantly in 2000. Inflation in the January-September period totaled just over 20 percent and was expected to reach 28 percent by the end of the year. Ukraine's relations with the International Monetary Fund (IMF) remained strained during FY 2000, but IMF lending resumed in December 2000 after notable progress in the areas of energy, budget and banking reform. In the absence of an IMF program, lending by other international financial institutions (IFIs) had slowed almost to a halt. In spite of this, Ukraine performed surprisingly well in FY 2000, cutting overall foreign debt by nearly 20 percent. However, a significant portion of the country's sovereign-guaranteed debt was in arrears. Ukraine suspended its Paris Club payments in January 2000, but now that the IMF program has resumed, plans for negotiating a Paris Club rescheduling are under way.

Reforms in Ukraine's energy sector yielded dramatic results over the past year. At the beginning of FY 1999, electric utilities in Ukraine were able to collect payments for less than 10 percent of the electricity they delivered. By the end of September 2000, the figure had risen to nearly 70 percent. The Ukrainian Government hopes to reach 100-percent payment during FY 2001, but the firing in January 2001 of the architect of Ukraine's energy reforms, Deputy Prime Minister Yulya Tymoshenko, may make this unlikely. Meanwhile, energy-sector reform has facilitated the privatization of Ukraine's energy companies. As of the end of FY 2000, Ukraine was on-track to privatize several regional distribution companies through an open, transparent international tender process. Once strategic international investors are found for this first round of privatization, Ukraine plans to continue the process by privatizing all 27 regional distribution companies by the end of FY 2001.

Despite this progress in the energy sector, Ukraine's economy still requires fundamental structural reform. There has been only limited progress in the area of deregulation, and Ukraine's poor investment climate continues to deter potential investors. At less than \$60 per capita, Ukraine continues to have one of the lowest levels of foreign direct investment in all of Europe, as foreign investors remain discouraged by a confusing and burdensome array of taxes, customs and certification requirements, a high level of corruption, and the absence of an effective system of commercial law. Once known as the "breadbasket of Europe," Ukraine's agricultural sector continued to experience serious problems in FY 2000. Drought, combined with a range of structural problems, caused grain harvests to drop to their lowest level since 1945. While old state-run farms have been broken up, no clear system of legal land titles has been established in their place. Consequently, farmers cannot generally use their land as collateral for loans and therefore cannot afford the seed and chemicals needed for planting. Moreover, misguided policies stifled agricultural markets, further reducing incentives for production. However, Prime Minister Yushchenko has cited rural land titling as one of the country's most important reforms for FY 2001.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$272.98 million in assistance to Ukraine, including \$175.05 million in FREEDOM Support Act assistance, \$35.00 million in U.S. Defense Department assistance, \$16.13 million in other U.S. Government assistance, and \$46.80 million in privately donated and U.S. Defense Department excess commodities. Of the FREEDOM Support Act-funded assistance to Ukraine, USAID programs accounted for approximately \$83.5 million, and State Department Public Diplomacy Exchanges accounted for approximately \$25 million.

The U.S. Government's Next Generation Initiative in Ukraine, announced by President Clinton in June 2000, doubled the levels of several exchange programs that bring young Ukrainians to the United States. In addition to providing increased opportunities for young Ukrainians to learn about democracy and market economics, the U.S. Government also enhanced its activities in the health sector and its efforts to support rule of law, and continued robust efforts to promote private-sector development (primarily small and medium-sized enterprises), help the Ukrainian Government make progress on structural reform, enhance nuclear safety, and strengthen civil society. In addition, U.S. Government-funded security assistance helped support Ukraine's involvement in the international peacekeeping effort in Kosovo.

Cross-Sectoral Programs

Poland-America-Ukraine Cooperative Initiative (PAUCI): In FY 2000, the PAUCI grants program was slowed by the Eurasia Foundation's suspension of its grant-making activities in the Western NIS region, due to problems in the Foundation's Kiev office that were not related to PAUCI. PAUCI Secretariat operations in both Warsaw and Kiev continued under the oversight of the USAID Mission in Kiev until a new U.S. implementing organization, Freedom House, was selected and assumed full administrative responsibilities in August 2000. To date, the PAUCI Secretariat has awarded 23 grants, totaling almost \$840,000. At its December 2000 meeting, the PAUCI Council conditionally approved four additional grants totaling over \$50,000, and launched a discussion on how to redefine the Council's role and allot more of its \$2 million annual allocation to grants. Grant-supported activities have included local government exchanges, joint community development programs, Ukrainian-Polish media broadcasts on lessons in reform, roundtables and publications on administrative and budgetary decision-making, and regional development projects.

Kharkiv Partnership: The Kharkiv Partnership, which is designed to assist local businesses and potential investors in the Kharkiv *Oblast* (Region), also continued to be a U.S. Government assistance priority. In FY 2000, the U.S. Government and the Kharkiv Regional Administration opened a Kharkiv Partnership office in Kharkiv. Governor Oleh Dyomin and the Mayors of Kharkiv and Izyum traveled to the United States to promote the region to U.S. political and business leaders. USAID signed a contract with Mendez, England and Associates to undertake a planning project aimed at helping Kharkiv officials identify strategic directions for business development. USAID is also helping the City of Kharkiv to conduct an investor attitude survey so that city officials can better understand investor needs and adopt business- and investor-friendly policies. USAID also assisted Kommunar, a former manufacturer of military electronic control systems, in creating a business plan to develop, produce and distribute energy-efficiency equipment in Ukraine. As a result, the U.S.-Ukrainian investment firm Sigma-Blyzer is considering a \$300,000 investment in Kommunar. In addition, the U.S. Trade and Development Agency (TDA) provided \$535,000 for a feasibility study for improving Kharkiv's district heating supply under a World Bank loan.

Eurasia Foundation: In FY 2000, the Kiev-based grant-making operations of the Eurasia Foundation's Western NIS Regional Office remained suspended while the Foundation awaited the outcome of an audit and investigation into evidence of fraud. The office focused its efforts on closing out its old grant portfolio, overhauling project management procedures, conducting related needs-assessment activities and providing ongoing administrative support to the Foundation's Ukraine programs that are administered through its Washington office. At the close of FY 2000, the Eurasia Foundation took steps to renew its partnership grant program activities in the Western NIS Region. USAID will evaluate the findings of the investigation and make recommendations on how to proceed with the Foundation's Kiev-based grant-making activities in early FY 2001. In the meantime, the Foundation has continued to manage three special initiatives that provide assistance to Ukraine: the Small Business Loan Program (SBLP), under which loans of up to \$100,000 are made for terms of up to two years at competitive market rates to wholly owned Ukrainian production, manufacturing and services companies in cooperation with local commercial banks; the Economics Education and Research Consortium

(EERC), Ukraine's first Western-standard graduate economics program, which is located at the Kyiv-Mohyla Academy; and the Media Viability Fund, which provides low-cost loans, grants and technical assistance to support independent print media in Ukraine and other NIS countries.

Training and Exchange Programs

Since FY 1993, U.S. Government-funded exchange programs have brought more than 13,650 Ukrainian citizens to the United States for long-term study or shorter-term professional training, including some 2,270 in FY 2000 alone. As a result of these programs, there is a growing cadre of Ukrainian citizens in leadership positions with an understanding of the basic elements of a democratic, free-market system.

U.S. Department of State – Public Diplomacy Exchanges: FY 2000 saw the greatest-ever number of Ukrainians—over 1,600—travel to the United States through State Department Public Diplomacy exchange programs in a single year since FREEDOM Support Act-funded programs began in 1993. These academic and professional exchange programs are administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). Competition for program slots was intense in FY 2000, ranging from three to as high as 25 applicants per slot. The implementation of the Next Generation Initiative resulted in an additional 400 young Ukrainians taking part in the Future Leaders Exchange, Undergraduate, Graduate and Community Connections Programs. Recruiting these additional participants was possible because of the larger pool of qualified English-speakers as compared to earlier years. The International Visitor (IV) Program sent over 90 Ukrainians to the United States on programs in the fields of media, local governance, banking, information science, trade, education, adoption and foreign policy.

U.S. Department of State – University Partnerships: Six new university partnerships were funded in FY 2000, and 56 U.S. and 34 Ukrainian professors traveled this year under ongoing partnerships to develop new curricula in business management, education, American studies, law and government.

U.S. Department of State – English Language Training: To further advance Ukraine's integration into Western structures, the ECA Bureau increased the number of U.S. Government-funded English teaching professionals from two to five. Based in four cities of Ukraine, these language specialists travel all over the country to train thousands of Ukrainian English-language teachers.

USAID Training Programs: USAID training programs provide Ukrainian leaders and professionals with the practical knowledge and technical skills needed to create policies, programs and institutions that support Ukraine's transition to democratic governance and a free-market economy. In FY 2000, USAID provided short-term training to over 820 Ukrainians: some 520 in U.S.-based programs, 65 in third-country programs and 240 in Ukraine-based programs. Just under one half of USAID's training programs focused on economic restructuring, one fifth on democratic reform, and the remaining one third on social stabilization and cross-sectoral issues.

Peace Corps English-Teaching Volunteers: In FY 2000, the Peace Corps' Teaching English as a Foreign Language (TEFL) Project expanded to a total of 104 volunteers teaching in 51 communities around Ukraine. In addition to teaching English, the volunteers helped their Ukrainian colleagues gain exposure to Western-style teaching techniques and classroom activities. Peace Corps volunteers also helped Ukrainian teachers address their country's acute shortage of teaching materials by producing English-language materials for schools and by working to acquire textbooks and other language materials from U.S. publishers, organizations and institutes. Peace Corps volunteers were also involved in a wide range of community projects, including HIV/AIDS awareness education, information technology training and youth leadership development.

U.S. Department of Agriculture (USDA) – Cochran Fellowship Program: In FY 2000, the Cochran Fellowship Program provided short-term U.S.-based training to 24 Ukrainian agricultural specialists and government officials on topics related to agricultural trade, management, marketing, policy, technology transfer, veterinary inspection and plant protection and quarantine. Since beginning operations in Ukraine in 1992, the Cochran Program has trained a total of 258 Ukrainian participants. In FY 2000, USDA also helped improve Ukraine's national grades and standards for grain, meat and vegetables.

USDA Faculty Exchange Program (FEP): The FEP Program has been working in Ukraine since 1995, providing training for educators from Ukrainian agricultural institutions in agricultural marketing, economics, and law. In FY 2000, seven Ukrainians studied at U.S. agricultural universities under the FEP Program.

Trade and Investment Programs

U.S. Department of Commerce – Special American Business Internship Training (SABIT) Program: In FY 2000, a total of 78 Ukrainians traveled to the United States under the SABIT Program for one- to six-month internships in areas including environmental technologies (air pollution, wastewater treatment, pulp and paper, oil and gas); information technology standards and telecommunications standards; quality management in manufacturing; health care; and chemical engineering.

U.S. Department of Commerce – Business Information Service for the NIS (BISNIS): In FY 2000, the BISNIS "Search for Partners" Program processed 146 lead applications and published 33 leads. BISNIS also published five trade-opportunity leads and held three presentations on the commercial climate and investment opportunities in Ukraine, which were attended by approximately 130 U.S. companies. In addition, 35 U.S. companies received consultations during a BISNIS Outreach program.

U.S. Department of Commerce – Commercial Law Development Program (CLDP): In FY 2000, a CLDP resident advisor was based in Kiev to facilitate Ukraine's process of accession to the World Trade Organization (WTO). The advisor helped to raise awareness of WTO accession-related issues among Ukrainian Government officials through direct contact and by sponsoring a newsletter. The advisor departed Ukraine in June 2000, with a replacement due to arrive in early FY 2001.

U.S. Department of Commerce – American Business Centers (ABC) Program: The Commerce Department-sponsored American Business Center (ABC), which opened in Ukraine in 1996, was closed in December 1999 due to limited demand for its services and the increased ability of Ukrainian business-support companies to provide such services.

Western NIS Enterprise Fund (WNISEF): Since its establishment in 1994, the WNISEF has provided investment capital, loan capital, technical assistance, and training to small and medium-sized private enterprises. As of the end of FY 2000, the WNISEF had invested approximately \$55 million in 16 medium-sized Ukrainian companies employing a total of some 6,800 people. The WNISEF's portfolio companies were also exerting a growing economic impact on their communities, with estimated sales of about \$123 million. The management and employees of these companies are part of a growing grassroots constituency for improving Ukraine's commercial environment. Since 1996, the WNISEF's Small Business Loan Program has made over 70 loans totaling \$3.2 million to small businesses employing some 1,700 people. (For more detail, see Enterprise Funds section under Part III of this report.)

Business and Economic Development Programs

USAID Support for Small and Medium-Sized Enterprises (SMEs): In FY 2000, USAID continued to implement a substantial SME development program focusing on policy reform and deregulation, business education and skills development, finance, and post-privatization assistance. USAID sought to convince the Ukrainian Government that the absence of tax reform, lack of access to credit, and lack of trust in the banking system are harming the growth of Ukraine's large and economically significant SME sector. USAID technical assistance to First Deputy Prime Minister Yuriy Yekhanurov helped him undertake concrete administrative reforms aimed at reducing regulatory burdens on SMEs. USAID-funded advisors to the Ukrainian Government's Economic Committee and State Committee on Regulatory Policy and Entrepreneurship also had critical input to the drafting of President Kuchma's June 2000 decree on entrepreneurship. Meanwhile, USAID's advocacy-oriented activities among entrepreneurs helped catalyze lobbying campaigns that achieved a sharp reduction in tax inspections of SMEs during 2000. In addition, USAID's Business Management Education Project provided training in Western business management practices to more than 2,000 Ukrainian instructors, who will in turn train Ukraine's future generation of business leaders. The Project's annual national education conferences fostered dialogue between the academic and business communities, and between Polish and Ukrainian management training professionals. USAID also supported a network of five women's business centers, through which Ukrainian women are gaining market-oriented business skills and access to finance, and a pilot Junior Achievement program, which is providing economic education for high-school children. More than 500

Ukrainian students are participating in this program, which had reached 200 Ukrainian urban and rural secondary schools as of September 2000.

Peace Corps Business Development Program: In FY 2000, 95 Peace Corps business development volunteers served in 37 Ukrainian communities. These volunteers facilitated the transfer of free-market business skills and expertise by working with current and future entrepreneurs, as well as with schools, universities, banks, business centers, business incubators, non-governmental organizations (NGOs) and government agencies at the regional and local levels. Business development volunteers also worked to increase access to information technology within the communities in which they worked and among local professionals through such activities as website development.

Economic Restructuring Programs

USAID Economic Restructuring Programs: With USAID assistance, Ukraine made significant progress in developing the legal and procedural basis for privatizing the land that enterprises stand upon. USAID also provided training and information on enterprise restructuring to a number of Ukrainian enterprises.

USAID Macro-Economic and Fiscal Reform Programs: In FY 2000, USAID continued to provide advice and technical assistance to the Government of Ukraine on macroeconomic and fiscal reform. USAID-funded assistance to the Ministry of Economy contributed to the formulation and presentation of the Ukrainian Government's "Reforms for Prosperity" Program and the development of a plan to monitor the Program's implementation using sophisticated economic monitoring and forecasting tools. Assistance to the Ministry of Finance resulted in an improved budget classification system, procedures for timely submission and greater budget transparency, and significant improvements in a draft budget code. USAID also helped establish a Tax Policy Unit, which is responsible for conducting a thorough review of the draft tax code. USAID assistance to the State Tax Administration (STA) led to increased interest in voluntary compliance, improved tax audit procedures, and the establishment of six regional units to work with large taxpayers. USAID also helped members of the Ukrainian Parliament increase their understanding of the economic and fiscal implications of government policies. In all of these areas, USAID assistance helped to build greater support for economic reforms in Ukraine.

USAID Banking Reform Programs: In order to strengthen Ukraine's banking sector and prevent a systemic failure, USAID has developed draft legislation and has worked to strengthen the oversight capability of the National Bank of Ukraine (NBU). USAID-funded advisors are working alongside NBU staff in problem bank units, assisting with on-site examinations and providing intensive on-the-job training. At the suggestion of the International Monetary Fund (IMF) and in cooperation with the European Union's TACIS Program and other donors, USAID has provided technical assistance in restructuring Ukraine's seven largest banks. USAID is helping Aval Bank to meet capital, asset quality, management, earnings and liquidity ratios required by commitment letters signed by Aval Bank with the NBU. USAID and U.S. Treasury Department advisors have also been helping the NBU restructure Bank Ukraina, the largest insolvent bank in Ukraine. This effort, if successful, would have a far-reaching impact on legitimizing Ukraine's banking sector. To build the skills required to properly manage the country's banking sector, USAID has also funded training through the National Center for the Training of Bank Personnel and through the Kiev-based International Management Institute. During FY 2000, USAID advisors also carried out a number of seminars in bank management reporting systems, internal auditing, and international accounting and auditing standards, providing training to over 200 people.

U.S. Department of the Treasury – Technical Advisors: In FY 2000, six Treasury Department resident advisors worked in Ukraine in the areas of budget policy, debt policy, banking-sector oversight, tax administration and financial-sector reform. In addition, the Department placed a macroeconomic policy advisor in the Ukrainian Ministry of Economy and an additional advisor at the Ukrainian Treasury. (For more detail, please see the Treasury Department section in Part III of this report.)

USAID Capital Markets Programs: Ukraine's Broker-Dealer Association and PFTS, its nationwide NASDAQ-type electronic trading system created with USAID assistance in 1996, grew in FY 2000 to 260 members, with a capitalization of approximately \$2.5 billion and an average monthly trading volume of \$6 million. PFTS's strong standards, internal controls and arbitration procedures have made it the dominant market in Ukraine, with 92 percent of onshore activity, and the only trading system to attract foreign broker membership. However, the

USAID-sponsored, private-sector-owned and -managed All-Ukraine Clearing Depository (AUCD) experienced complications. The AUCD, which held its grand opening in April 2000, has the capacity to conduct transactions at a level up to international standards. However, individuals within the Ukrainian Government continue to promote a government-controlled depository system. In FY 2000, USAID helped the Ukrainian Securities Commission to strengthen its partnership with the U.S. Securities and Exchange Commission (SEC). In addition to housing annual reports from 700 large public companies, the Ukrainian Securities Commission's Public Information Office has established an Internet site for wider public access. Key laws and regulations have been passed, including laws on a national depository system, accounting and financial disclosure requirements, state regulation of the securities market, unification of market oversight authority, requirements that large firms use independent registrars, and regulatory requirements for all professional market participants. In addition, a joint stock company law, needed for corporate governance improvements, was drafted by the USAID-supported Corporate Governance Task Force and received its first parliamentary reading in late 2000.

USAID Commercial Law Programs: In FY 2000, USAID supported regulatory, collateral, and bankruptcy reform in Ukraine. The regulatory reform activity provided deregulation assistance to the State Committee for Regulatory Policy and Entrepreneurial Activity and supported three pilot municipal regulatory activities. Thanks in large measure to this project, the presidential decree "On Introduction of a Uniform State Policy in the Sphere of Entrepreneurship" was adopted in January 2000, and a new licensing law was passed in June 2000. A USAID project dealing with laws on collateral helped establish an electronic pledge registry for use by borrowers and lenders, and drafted a new law to expand the scope of the registry to other forms of security interests such as leases and conditional sales. This draft law passed its first reading in the Parliament in January 2000. In addition, a new Ukrainian bankruptcy law became effective in January 2000, providing powerful tools for restructuring insolvent enterprises. USAID also assisted in drafting the Civil Code, which received its second reading in June 2000. A new USAID project that began during FY 2000 is seeking to establish a Commercial Law Resource Center, which will provide legal assistance and training for commercial law professionals.

USAID Agricultural Reform Programs: The pace of agricultural reform remained slow in Ukraine in FY 2000. Nevertheless, USAID continued its farm restructuring efforts, with 922 farms restructured to date and land titles issues to over 239,000 individuals. By the end of FY 2000, 243 grain elevators were 70-percent privatized and 237 were completely privatized. USAID also focused on assisting private farmers, farmers' associations and advocacy groups, and on restructuring farms in promising oblasts. Continued agricultural policy reform is a key requirement for continued U.S. Government assistance in this sector. USAID's current plans are to expand assistance in land titling, continue modest levels of assistance in agricultural policy reform, and additional assistance in agricultural inputs and marketing for private farmers.

USAID Local Government and Municipal Development Programs: In FY 2000, a USAID-funded computerized budget model helped 48 Ukrainian cities (representing 44 percent of all Ukrainian cities with a population of 50,000 to 1 million) improve their financial management and transparency. Over 30 of these cities are now actively using citizen task forces and advisory boards. The advisory boards are focusing on such issues as economic development, communal services, strategic planning and tourism. Thirteen cities have increased the transparency of government operations by using competitive bidding for services and assets. In addition, 15 cities worked on improving their management of municipal services and assets, resulting in improvements in trolley bus, water and other communal services; tariff collection rates; and reduction of energy consumption. During FY 2000, 18 U.S.-Ukrainian municipal partnerships worked together to achieve results in the areas of economic development, budget, housing/communal services, transportation, and citizen participation through a program implemented by the U.S.-Ukraine Foundation. A total of 76 Ukrainian interns spent two weeks each in their U.S. partner city, and U.S. city officials provided ongoing training in their Ukrainian partner cities. In addition, the successful Lviv Vodokanal and Effective Local Government Projects were extended to eight cities, in collaboration with a new loan program from the European Bank for Reconstruction and Development (EBRD). USAID also continued to support the Association of Ukrainian Cities (AUC), whose membership has grown to 285 municipalities. In FY 2000, the AUC lobbied for passage of legislation to provide local governments more revenue stability and fiscal autonomy, increased its training capacity and improved its communications network through the establishment of regional offices in 19 oblasts (regions), and collected and disseminated over 40 "best practices" among Ukrainian local governments through its website and five publications. In addition, 30 mayors, deputy mayors and department heads participated in five U.S.- and Polish-based courses or study tours.

Democracy Programs

U.S. Department of State – Information Programs: Under the Internet Access and Training Program (IATP), six Ukrainian cities now have U.S. Government-funded Internet access sites that are serving alumni of U.S. Government exchange and training programs, as well as the broader Ukrainian public. In FY 2000, the U.S. Embassy's Public Affairs Section, in collaboration with the State Department's Office of International Information Programs (IIP), expanded its translation programs, speaker programs and Information Resource Center activities to provide new information resources to the Ukrainian public. Eight American books on the environment, economics, law and business were made available to Ukrainian readers through cooperative publishing and distribution agreements, while 18 booklets on topics such as HIV/AIDS, intellectual property rights, elections, education, literature, the World Trade Organization, the judiciary and the rights of the disabled were printed and distributed by the U.S. Embassy to leading Ukrainian officials, the media and the public. The Information Resource Center, in its second year of operation, expanded its staff in order to help it provide information to parliamentarians, cabinet and presidential administration officials, the media and others on U.S. legislation, current news and analysis, and in-depth research on specialized topics. IIP-funded U.S. speakers familiarized Ukrainians with various aspects of life in the United States, through lectures and roundtables on culture, information science, libel law, arts management, the elections process and combating trafficking in women and children.

U.S. Department of State – NIS Training Grants Program: In FY 2000, the NIS Training Grants Program provided \$500,000 to five U.S. NGOs that helped 30 Ukrainians to see first-hand the methods by which their American partners deal with issues in the fields of women's leadership, environmental law and distance learning. This program has already led to Ukrainian initiatives in all three fields.

USAID NGO Development Programs: During FY 2000, USAID continued to support a four-year project designed to assist and support Ukrainian NGOs, implemented by the Counterpart Alliance for Partnership (CAP). The project currently focuses on providing financial and technical assistance to competitively selected projects in the areas of youth initiatives and leadership, substance abuse prevention/rehabilitation, HIV/AIDS prevention, and social services to vulnerable groups (such as disadvantaged children, pensioners and the disabled). To date, CAP has awarded 278 grants totaling over \$2.8 million to 189 grantees, with matching donations of over \$1.6 million contributed by recipient organizations. This support has helped Ukraine's NGO sector to evolve and establish organizations that are now supplying NGO support services and training. CAP provides grants and project monitoring through on-site visits and consultations, as well as technical assistance and training in general NGO development and sector-specific training. One of the objectives of the program is to encourage NGO coalition-building and promote improved legislation, public policy and advocacy (lobbying, public awareness campaigns, etc.). CAP has initiated a special challenge program to promote increased cooperation between NGOs and corporate sponsors and government structures in order to provide broader community-based support to NGOs.

U.S.-EU Transatlantic Initiative: FY 2000 also saw the completion of a program of cooperation with the European Union (EU) to support NGO development in Ukraine. Begun in 1999, this program included a successful small grants program that provided \$320,000 in grants to 39 Ukrainian NGOs chosen from over 900 applications. The U.S. Embassy's Democracy Commission contributed \$200,000 in further support. (See below for details.)

USAID Support for Civic Activism: The USAID-supported momentum for increased citizen activism that was generated during Ukraine's 1999 elections continued in FY 2000. The Committee of Voters of Ukraine (CVU), which was very active in election monitoring in 1999, expanded its activities to monitor parliamentary activities on a daily basis and publicize its findings broadly. As part of another new initiative, CVU set up resource centers to support advisory Citizen Community Boards recently created in four major cities. Meanwhile, the Freedom of Choice Coalition that united many Ukrainian NGOs for the 1999 elections is now refining plans for coordinated national action by NGOs in the battle against corruption. USAID support has also enabled pro-reform NGOs and think tanks to engage policy makers and take advantage of the receptivity of Ukraine's new pro-reform prime minister. The policy recommendations of one USAID-funded study on Ukraine's shadow economy became part of a new national policy document. An association of retail traders used their USAID grant to prepare and successfully lobby for retailer-friendly modifications to the Law on Corporate Income Tax. USAID support helped stage conferences and roundtables that brought together members of the new

government with representatives from reform-oriented think tanks. Thanks to such productive encounters, an ad hoc group of five NGOs now reviews policy papers for the prime minister's office on a *pro bono* basis.

USAID Independent Media Programs: In FY 2000, Ukraine's non-state media faced increasing difficulties as they attempted to provide unbiased information to the Ukrainian public. The combined effect of government harassment, buy-outs, and personal attacks on journalists coerced the media into playing a relatively subdued role. The Verkhovna Rada (Parliament) continued to reject proposals introducing limits on liability claims against journalistic libel, which would have helped protect journalists from lawsuits by prominent and powerful figures. USAID programs continued to help defend freedom of the press through education, media monitoring and business management programs designed to increase the independence of media outlets. Through the ProMedia Program implemented by the International Research and Exchanges Board (IREX), USAID supported the Media Legal Defense and Education Program (LDEP), which provides training for journalists, lawyers and judges in Ukrainian and European laws that affect the media, particularly in the area of freedom of expression. The LDEP provides informal advice and consultations to journalists and media outlets, pre-publication review of articles, and can pay some or all of the legal costs of defending a journalist or media outlet facing legal action. Ukrainian lawyers trained and/or supported by LDEP have successfully defended numerous media organizations and journalists, using the arguments and tactics developed by the LDEP. U.S. Government-funded assistance also directly supported the production of independent news programs, non-partisan civic education broadcasts, and public service announcements.

U.S. Department of State – Media Programs: The U.S. Embassy's Public Affairs Section provided grants totaling over \$100,000 in direct support of independently minded local media outlets struggling to stay in operation. Other media-support efforts included \$250,000 in cooperative television ("TV co-op") projects, which gave production teams from cities throughout Ukraine to travel to the United States to produce documentaries on topics such as anti-corruption, the U.S. elections and good governance.

USAID Political Process and Party-Building Programs: Most political groups in Ukraine resist coalition-building, but consultations and encouragement (including study tours to Poland) provided by the National Democratic Institute (NDI) are at least partly responsible for the new level of cooperation achieved this year by three parties, the two factions of Reforms and Order, and the Congress of Ukrainian Nationalists. Other programs implemented by NDI and the International Republican Institute (IRI) have opened new channels of communication and support to locally elected deputies in Ukraine by sponsoring training for new deputies in almost every *oblast* (region) of the country. A national conference held in late 2000 focused on planning for future activities with these potential reformers.

USAID Legal Reform Programs: USAID has identified eight pieces of framework legislation critical to achieving legal reform in Ukraine, including the Civil Code and a law on the judiciary. The USAID Mission in Kiev has been supporting the Civil Code revision process for several years. This legislation governs virtually all commercial activity in Ukraine and is said by many to be second in importance only to the country's constitution. In June, the Verkhovna Rada (Parliament) completed its second reading of the revised Civil Code, with final passage expected soon. The adoption of a Law on the Judiciary by June 2001, set forth as a requirement under the Ukrainian Constitution, is also an important priority for Ukrainian legal-sector reform. This legislation will determine the organizational framework for the entire court system. The structure of the judiciary has been a hotly disputed topic, with many participants drafting proposals emphasizing their own role in the judiciary. USAID has been tracking developments related to this legislation and sponsoring roundtables, seminars and working groups to encourage informed decisions and consensus-building.

USAID Rule-of-Law Programs: Ukrainian legal-advocacy NGOs are effectively fostering citizens' demands for the enforcement of their legal rights and for ensuring legal accountability, by employing lawyers who seek out and engage in class-action lawsuits, public-interest lawsuits and test cases on behalf of disadvantaged groups who suffer from a common infringement of their rights. The American Bar Association's USAID-funded Central and East European Law Initiative (ABA/CEELI) is supporting three Environmental Public Advocacy Clinics (EPACs), which are providing free advice to Ukrainians on environmental matters and are pursuing court cases to achieve redress of violation of environmental rights. In addition, the Committee of Voters of Ukraine (CVU) has expanded its activities to encourage new forms of citizen watchdog activities at the local level, including a "public hours" program in 45 consulting offices across Ukraine that helps citizens pursue complaints against unresponsive officials. USAID has also sponsored legal advocacy programs that support and educate reform-

minded lawyers defending people accused of political crimes, highlighting human rights violations, defending the media, and advocating for judicial oversight of executive authorities.

USAID Anti-Corruption Programs: USAID is supporting anti-corruption programs in Lviv, Donetsk and Kharkiv. These community-based partnership programs bring all sectors of society together to develop their own locally tailored strategies against corruption, including specific action plans and targets for preventive measures. The program in Donetsk resulted in the establishment hotlines for citizen complaints to government offices, new procedures for traffic police and business inspections, and a citizens' advocate office that provides legal support for businesses and individual citizens with grievances about corrupt officials. In addition, the USAID-supported Freedom of Choice Coalition has developed a national anti-corruption program. Close to 100 NGO members of the coalition participate in the program, which was organized without substantial USAID involvement or assistance.

U.S. Department of State – Anti-Crime Training and Technical Assistance (ACTTA) Program: In FY 2000, the U.S. and Ukrainian Governments signed a “Program for Bilateral Cooperation for Combating Corruption and Organized Crime, 2000-2005,” which is intended to intensify cooperative anti-crime efforts. The U.S.-Ukrainian Mutual Legal Assistance Treaty in Criminal Matters, signed in July 1998, was ratified in early September 2000 by the Ukrainian Parliament. The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) continued to fund a resident legal advisor (RLA) in Kiev to provide technical assistance to the Ukrainian Government and to coordinate U.S. Government-funded criminal justice and law enforcement programs in Ukraine. The RLA worked with the Ukrainian Government on new criminal law and criminal procedure codes and money-laundering statutes. In FY 2000, ACTTA courses and seminars sponsored by the Federal Bureau of Investigation (FBI), U.S. Drug Enforcement Administration (DEA), U.S. Department of Justice (DOJ) and the U.S. Treasury Department's Federal Law Enforcement Training Center (FLETC) were conducted for Ukrainian law enforcement officials and members of the judiciary in Kiev and in other regions of Ukraine. The FBI sponsored five seminars on homicide investigations, advanced organized crime, task force management, money laundering and law enforcement executive management for senior law enforcement officials. The FBI also sponsored the first participation by a Ukrainian law enforcement official in extended training at the FBI's National Academy in Quantico, Virginia. In addition, Ukrainian law enforcement officials participated in regional training on combating transnational organized crime, corruption and economic crimes at the International Law Enforcement Academy (ILEA) in Budapest, Hungary. The U.S. Treasury Department and other agencies have been working with Ukrainian Government on money-laundering legislation and an anti-money-laundering program plan. FLETC has conducted training for the national police on health-care fraud and is working with the University of Internal Affairs on a comprehensive and long-term training and technical assistance program that includes professional exchanges, curriculum development and related assistance. The U.S. Environmental Protection Agency (EPA), in cooperation with Interpol, conducted a regional training program on the criminal investigation of environmental crime. The U.S. and Ukrainian Governments also conducted a regional workshop on the prevention of trafficking of women and children that was attended by senior U.S. and Ukrainian law enforcement officials, as well as representatives from over 20 foreign countries and international organizations. The workshop resulted in the adoption of an anti-trafficking action plan that is currently being implemented through the establishment of special police units and related preventive measures. Winrock International received funding to support an anti-trafficking program in Ukraine. In addition, programs for the prevention of domestic violence in regions throughout Ukraine were funded through Winrock International, Project Harmony and Sister Cities International.

U.S. Department of Justice – Criminal Justice Programs: With funding provided through the U.S. Department of Justice (DOJ), the Criminal Law Reform Project implemented by the American Bar Association's Central and East European Law Initiative (ABA/CEELI) placed a criminal law liaison officer in Kiev, and established an extensive criminal law training program for Ukraine's judiciary focusing on topics such as bail reform, adversarial proceedings, jury trials, plea bargaining and related criminal procedure issues. ABA/CEELI sponsored U.S.-based training for Ukrainian judges on criminal law and procedure issues. In addition, DOJ's Office of Overseas Prosecutorial Development and Training (OPDAT) conducted an extensive training program for Ukraine's procuracy, judiciary and investigative agencies on combating organized crime, corruption, economic and financial crimes, and money laundering. DOJ's International Criminal Investigative Training Assistance Program (ICITAP) is working on an academy development program with the Ministry of Interior. In addition, DOJ's National Institute of Justice implemented a joint research program with the Ukrainian Academy of Law Sciences on issues concerning organized crime, corruption, economic crime, trafficking of women, and narcotics trafficking. DOJ also continued to provide funding to the American University-supported Organized

Crime Study Center, which is located at Ukraine's National Law Academy and conducts research on trends in organized crime in Ukraine.

Anti-Trafficking Programs: The USAID-funded Trafficking Prevention Program (TPP) works with Ukrainian women's NGOs to provide job-skills training, legal consulting services, and a public education campaign through Trafficking Prevention Centers (TPCs). There are currently seven such centers located in Lviv, Dnepropetrovsk, Donetsk, Kherson, Rivne, Chernivtsy, and Zhitomir. Additional activities include support for a hotline for returned trafficking victims, a victim assistance fund, and a joint project with the Ministry of Education on the development of a school curriculum on the trafficking issue. USAID has contracted with a local Ukrainian production company to develop an anti-trafficking docudrama, to be broadcast by May 2001. This three-part series will educate those at risk, especially 12- to 15-year-old girls, about the dangers of trafficking, in an accessible and widely viewed format. USAID's Women's Economic Empowerment (WEE) Program, which helps women establish and run businesses and business associations, also supports the anti-trafficking effort, since women who start their own businesses tend to hire other women, who in turn are not as vulnerable to trafficking. In Donetsk, where the Trafficking Prevention Program and WEE Program share a facility, the women that seek training or consultation also find out about the dangers of trafficking and how to avoid becoming involved in such activities. USAID-sponsored youth leadership camps held in summer 2000 educated over 100 girls on the dangers of trafficking. They learned about women's and children's rights and the activities of the Crisis Centers, defined the problem of trafficking in women, identified key organizations in Ukraine responsible for combating trafficking, and increased their leadership and conflict resolution skills. In October 2000, USAID sponsored the participation of 14 Ukrainian Government officials and NGO members in a joint U.S.-Dutch training course on effective anti-trafficking communications, which will improve coordination between all the parties involved in Ukraine's anti-trafficking efforts.

Security Programs

Science and Technology Center in Ukraine (STCU): The STCU was established in 1995 under an international agreement among the United States, Canada, Sweden and Ukraine, to provide former Soviet weapons scientists with opportunities to work on peaceful civilian research projects so that they could avoid the temptation to sell their expertise to countries of proliferation concern. The STCU has three branch offices in Kharkiv, Dnepropetrovsk and Lviv, and is planning to open new offices in other parts of the CIS (Tbilisi, Georgia, and Tashkent, Uzbekistan). STCU offices are located at major Ukrainian research complexes and facilitate participation by a broad spectrum of the former Soviet weapons-research establishments in Ukraine. In FY 2000, the STCU committed funding to 48 projects valued at more than \$6.2 million for the support of over 400 Ukrainian, Georgian and Uzbek scientists. Since 1995, the STCU has supported a total of 284 projects valued at more than \$38 million and employing over 6,700 scientists from the former Soviet Union. In addition, in cooperation with private companies, the STCU has supported 21 partner projects valued at \$1.5 million.

Cooperative Threat Reduction (CTR) Program: While no new CTR programs were implemented in Ukraine in FY 2000, the U.S. Department of Defense continued ongoing cooperative efforts with Ukraine to eliminate the SS-24 missile system and eliminate several Bear H and Blackjack heavy bombers and their associated air-launched cruise missiles (ALCMs). CTR projects and further funding requests are expected to continue through FY 2002.

International Military Education and Training (IMET) Program: In FY 2000, the U.S. Government provided Ukraine with \$1.34 million in IMET funds for the training of Ukrainian military and related civilian personnel. This training aimed to demonstrate the proper roles of the military in a civilian-led democratic government; promote effective defense-resource management; train individuals likely to hold key positions in the Ukrainian Government; and promote military professionalism. In addition, the Expanded IMET (E-IMET) Program provided training to Ukrainian military and civilian officials, including personnel from non-defense ministries and the legislative branch, focused on managing and administering military establishments and budgets, and creating and maintaining effective military justice systems and military codes of conduct. In FY 2000, the IMET Program funded the participation of 43 Ukrainians in U.S.-based courses and approximately 250 in mobile training programs in Ukraine.

Foreign Military Financing (FMF) Program: In FY 2000, Ukraine received \$3.25 million in FMF funds to advance the objectives of NATO's Partnership for Peace (PFP) program and enhance the country's capabilities to operate jointly with NATO forces in peacekeeping, search and rescue operations, and other humanitarian

exercises. Ukraine used its FMF funds to purchase language laboratories; 47 Hum-Vs with tactical radios; two four-wheel-drive vehicles; night vision goggles; training for non-commissioned officers (NCOs), medical officers, military health-resource managers, and drivers; and maintenance training for the Hum-Vs. Ukrainian Government officials plan to spend their FY 2000 FMF grant funds on several projects, including the development of an Emergency Situation Crisis Action Center at the General Staff, a simulation center to support peacekeeping training, and a multinational staff officer's course at the National Defense Academy.

Support for Ukrainian Involvement in Kosovo Peacekeeping Forces (KFOR): In August 1999, the U.S. Department of State reprogrammed \$700,000 in FMF funds to support the participation of the Ukrainian 14th helicopter detachment and the 137th security company in NATO peacekeeping operations in Kosovo. In September 1999, the Department of State authorized Ukraine to use the remaining \$4 million in its FMF account to fund its future participation in KFOR minus the cost of maintaining the helicopter detachment. To extend the deployment of the helicopter detachment, several other NATO countries contributed \$907,000 to the U.S.-managed Ukrainian FMF account. These funds, along with a Ukrainian contribution of \$260,000, supported the 14th helicopter detachment in Kosovo through December 2000. U.S. FMF funds will be used to help support the recently deployed Ukrainian contingent of the First Polish-Ukrainian Battalion, which will serve in the U.S. sector in Kosovo through FY 2001. The First Polish-Ukrainian Battalion replaced the 137th Ukrainian Security Company in August 2000. Ukrainian contingents are making significant contributions to KFOR operations and, in doing so, are gaining valuable experience in peacekeeping operations.

Enhanced International Peacekeeping Capabilities (EIPC) Program: In FY 1999, Ukraine received \$900,000 under the EIPC Program for the purpose of providing additional training and equipment to improve the effectiveness of Ukraine's peacekeeping forces. An additional \$65,000 was provided in FY 2000 for the purchase of language labs to support English-language training. Two additional FMF cases have been opened: one for training that will focus on the development and standardization of Ukraine's peacekeeping doctrine; and one for training equipment that will be used in a multinational staff officer's course at the National Defense Academy. For FY 2001, the Office of Defense Cooperation requested \$800,000 in EIPC grant funds to purchase additional training and equipment, which is still pending.

Warsaw Initiative / Partnership for Peace (PFP): In FY 2000, Ukraine received approximately \$1.5 million under the U.S. Defense Department's Warsaw Initiative to facilitate Ukraine's participation in PFP events. These funds helped Ukraine host three "In the Spirit of PFP" exercises—"Rough and Ready 2000," "Peace Shield 2000" and "Sea Breeze 1999"—as well as the numerous planning conferences for these exercises. Warsaw Initiative funds also supported Ukrainian participation in the exercises "Combined Endeavor 2000," "Cooperative Partner 2000," "Cooperative Support 2000," "Rescuer 2000," "Cooperative Best Effort 2000," "CENTRASBAT 2000," and "Eloquent Nugget 2000." In addition, Warsaw Initiative funds enabled Ukraine's Ministries of Defense and Emergencies to participate in numerous NATO-sponsored small-scale, non-exercise events.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: The U.S. Government has provided a wide range of EXBS training courses and technical exchanges to develop a solid framework for a comprehensive export control system in Ukraine. This assistance has focused on export control enforcement, which has contributed to the improvement of the day-to-day operational ability of the State Service for Export Controls (SSEC), the Border Guards, and the State Customs Committee (SCC). The U.S. Department of Commerce has supported the development, customization and testing of internal control program (ICP) development software for Ukrainian industry and the establishment of in-house controls for compliance with Ukraine's export control laws and regulations. In February 2000, the U.S. Coast Guard conducted a patrol-boat operations seminar for Ukraine's Border Guards.

Energy and Environmental Programs

USAID Energy-Sector Programs: In FY 2000, USAID's energy-sector programs focused primarily on the privatization of electricity distribution companies and related reforms in energy regulation, tariffs and market structures. In January 2000, the Ukrainian Government issued a tender for an investment bank to sell seven of Ukraine's 20 electricity distribution companies. In May 2000, the Ukrainian Government contracted Credit Suisse First Boston to undertake the sale. In June 2000, the Ukrainian Government passed amendments to the existing electricity law that dramatically increased cash payments and reduced barter transactions. The amendments also significantly empowered Ukraine's National Energy Regulatory Commission (NERC) to

approve the distribution of all cash transactions based on its established tariff-making procedures. Prime Minister Yushchenko also signed an agreement in July 2000 calling for subsequent reforms, including monthly audits by international auditors of all electricity cash flows. In August 2000, the Ukrainian Government added remaining state shares (25 percent) to the sale of the seven companies. Therefore, all share packages in the upcoming tender are for at least 60 percent of the shares—a controlling amount. In October 2000, the Ukrainian Government completed the procedures for selling the package, and Prime Minister Yushchenko met with interested strategic investors in London and Paris as part of the sales and marketing effort. USAID has contributed to this process by funding advisors to the State Property Fund, the Ministry of Fuel and Energy, the NERC, and Parliament. Sales of the electricity distribution companies are now expected to close in February 2001. FY 2000 witnessed several notable successes resulting from U.S. Government-funded activities in the Ukrainian energy sector. USAID funding for a seven-year old partnership between KievEnergo and Pennsylvania Power & Light ended in FY 2000, with the two companies signing a partnership agreement under which they will continue their collaborative activities without U.S. Government funding. In FY 2000, over 800 energy professionals were involved in seven USAID-sponsored U.S.-Ukraine energy company partnerships. USAID funding of the U.S. Energy Department's industrial energy-efficiency program helped achieve the first loan by an European Bank for Reconstruction and Development (EBRD)-funded entity called Ukresco to a Ukrainian industrial company to improve energy efficiency. In addition, a total of 139 Ukraine energy professionals graduated from a one-year energy MBA program, with 62 percent of these subsequently receiving promotions within energy companies.

U.S. Department of Energy (DOE) – Nuclear Safety Programs: With DOE support, Ukrainian specialists at the Chornobyl Center and Slavutych Laboratory sought to address technical and socioeconomic issues related to the December 15, 2000 closure of the Chornobyl nuclear power plant. Major progress was achieved on the construction of a replacement heat plant at the Chornobyl site, which will supply needed heat after the shutdown. A series of projects have been completed or are under way to improve safety at Ukraine's remaining operational nuclear power plants. Safety parameter display systems have been installed at six reactors to provide key parameters to control the plant in the event of an accident. Full-scope simulators or analytical simulators were built and are now operational at four nuclear power plants to train control room operators. Formal classroom training has also been conducted at the Khmelnytsky training center, and operators at all plants have been trained using U.S.-supplied methodology. DOE provided equipment and technical support as work continued towards completing in-depth safety assessments at the Rivne, South Ukraine, Zaporizhzhya and Khmelnytsky nuclear power plants. These assessments will identify these plants' weaknesses, recommend necessary plant modifications, and ultimately help to obtain operating licenses from the regulatory authority. Progress also continued, although sometimes slowly, on the nuclear fuel qualification project, including staff training for the Ukraine Center for Reactor Core Design and assistance to the Ukrainian regulator on licensing issues. This project is developing Ukraine's ability to qualify nuclear fuel for its WER-1000 reactors from an alternate vendor, with the long-range goal of achieving a secure fuel supply. Also with DOE support, Ukrainian specialists developed a nationwide plan for managing spent fuel from the country's five nuclear power plants. Three concrete casks have been constructed for a spent-fuel dry-cask storage system. The operating license is pending final approval.

U.S. Environmental Protection Agency (EPA)/USAID/DOE Environmental Programs: In FY 2000, U.S. Government-funded environmental activities in Ukraine continued to address important environmental problems of mutual concern (such as global climate change), promote investment in environmental technology and sound environmental management, and empower citizen participation in environmental decision-making. USAID has helped Ukraine meet its commitments under the United Nations Framework Convention on Climate Change and develop investment projects for the mitigation of greenhouse-gas emissions. The USAID Climate Change Initiative has delivered training, organized seminars and workshops, supported the formation of an industry council and NGO network, developed recommendations for administrative structures, conducted an inventory on greenhouse-gas emissions in the energy sector, and developed business plans for possible investments in greenhouse-gas mitigation. EPA has helped Ukraine develop a complete inventory of methane emissions from coal mines and identify viable mines for investment in methane recovery. EPA successfully opened a Regional Environmental Center in Kiev. Another important information center is the USAID-funded Ukrainian Land and Resources Management Center (ULRMC), which provides technical assistance in remote sensing and geographic information systems (GIS). The ULRMC has also provided assistance in managing flooding and fires near the Chornobyl exclusion zone and gathering environmental data from the Pervomaisk ecological disaster zone. USAID and DOE have increased municipal and industrial energy efficiency and investment through the efforts of the Alliance to Save Energy and DOE's Pacific Northwest National Laboratory. USAID

also has been working at the local level to reduce environmental risks to human health and involve citizens, industry and local authorities in a public process to develop local environmental action programs. EPA has focused on developing such programs in Mariupol, and USAID recently launched a new activity that will support demonstration projects in at least six communities, develop guidelines, trainers and training materials, and centers of excellence. During FY 2000, USAID, EPA and the Centers for Disease Control and Prevention (CDC) provided timely expert advice to the Ukrainian Government on an environmental health emergency that occurred in Pervomaik. The findings of the U.S. experts were accepted by the Ukrainian Government in November 2000. In addition, with USAID support, the Initiative for Social Action and Renewal in Eurasia (ISAR) awarded ten small grants to grass-roots environmental NGOs, and USAID's EcoLinks Program awarded 11 challenge grants and seven quick-response awards totaling over \$500,000 to municipalities and businesses to promote market-based solutions to environmental problems and to build partnerships with U.S. and Central European counterparts.

Peace Corps Environmental Program: In FY 2000, 26 Peace Corps volunteers worked with 21 communities to enhance the organizational capacity of Ukraine's environmental institutions, support environmental protection efforts in Ukraine's national parks and reserves, and help Ukrainian educators and environmental program leaders develop and implement environmental awareness projects in their local communities. Volunteers were assigned to schools and universities, as well as to environmental NGOs. The annual Earth Day event was expanded to include a preparation workshop for teachers and students, with a park clean-up activity in Kiev, which was followed by Earth Day observances throughout Ukraine.

Social-Sector and Humanitarian Programs

USAID Health Programs: In FY 2000, USAID developed and funded two important new health activities: a pilot tuberculosis program to implement the World Health Organization's (WHO) Directly Observed Treatment - Short Course (DOTS) approach to case identification and treatment; and jointly with the European Union, a sexually transmitted infection (STI) and HIV/AIDS program. USAID's health programs are focusing on developing the capacity of NGOs to help prevent the contraction and spread of STIs and HIV/AIDS in high-risk populations (homosexuals, intravenous drug users and commercial sex workers). In addition, USAID is in the process of developing an information clearinghouse. In addition to its heightened emphasis on infectious diseases, USAID continued its primary health care assistance. USAID's Health Partnership Program has established primary care clinics in six *oblasts* (regions): Lviv, Donetsk, Odesa, Kiev, Uzhgorod and Kharkiv. Each of the six clinics has a health promotion program oriented towards raising community awareness about healthy lifestyles, and has a particular outreach focus: comprehensive community-based health promotion in Lviv; miner's health services in Donetsk; family medicine outreach to seaport employees in Odesa; mental health interventions in Kiev; and health education and disease prevention programs in Uzhgorod. In addition, each clinic is developing innovative strategies to add preventive clinical services to its basic ambulatory health services. Also in FY 2000, USAID made a major contribution to the successful formulation of the national 2001-2005 Reproductive Health Program for Ukraine. The USAID Mission in Kiev has continued its support for reproductive health training for physicians, nurses and midwives and postpartum/post-abortion counseling.

- **Chornobyl Childhood Illness Program:** USAID has opened four U.S.-Ukrainian medical centers that are screening adolescents for thyroid tumors and psychosocial illnesses. Each clinic also has a mobile field team for expanded coverage in rural areas. The Birth Defects Surveillance and Prevention Program has made great strides in the diagnosis of genetic diseases and in the establishment of a birth-defects registry, using international standards, to capture this data. Coupled with these efforts was the formation of an NGO that is focused on strengthening preventive interventions in the region. The Breast Cancer Screening Program has provided excellent training in the clinical and laboratory aspects of breast cancer care. A breast cancer survivor's psychosocial network has been successful in establishing services for patient support and community awareness.

USAID Social-Sector Reform Programs: In FY 2000, USAID helped the Ukrainian Government complete two draft pension-reform laws—the "Law on Mandatory State Pension Reform Insurance" and the "Law On Non-State Pension Provision"—which are now in the Parliament for consideration. USAID also provided technical assistance to the Pension Fund of Ukraine (PFU) to determine the Fund's financial soundness, expand elements of the system nationwide, develop software to assure the system's effective automation, and establish a PFU website. Several seminars about how the system works and who will benefit from it were conducted for key policy-makers and journalists. USAID also conducted study tours for key officials responsible for pension

reform implementation. USAID helped the Ukrainian Government develop a public education campaign for parliamentarians, journalists and the general public, producing brochures, booklets, statistical bulletins and a special magazine issue devoted to all aspects of pension reform. USAID's other social-sector reform efforts included helping the Ministry of Labor and Social Policy conduct a seminar in Mykolayiv for regional officials on the social safety net model, and working with the State Statistical Committee of Ukraine to prepare the first statistical report on the family income and expenditure survey conducted for the first half of 1999.

U.S. Department of Defense (DoD) – Humanitarian Assistance: In FY 2000, DoD provided over \$108,000 worth of excess DoD property to a children's pulmonary tuberculosis sanitarium and a regional burn center, both located in Odesa. Deliveries in September 2000 consisted of medical supplies, school supplies and office furniture; October deliveries consisted of two 15-kilowatt trailer-mounted generators. In addition, the Office of Defense Cooperation received \$185,000 for the renovation of five buildings of the children's pulmonary tuberculosis sanitarium, which began in March 2000 and was completed in October 2000. A project to renovate the burn clinic was approved for FY 2001. Also in FY 2000, components of the U.S. European Command (EUCOM) carried out humanitarian assistance activities while on operational deployments or training exercises.

USAID Humanitarian Assistance: The USAID-supported Counterpart Humanitarian Assistance Program (CHAP) continued to respond to natural and man-made disasters, as well as to support NGOs and governmental social-service institutions whose constituents are the most vulnerable and needy groups in Ukraine. CHAP has delivered over \$100 million in humanitarian assistance to Ukraine since the end of 1994. USAID's humanitarian assistance program also supports U.S. private voluntary organizations (PVOs) that are experiencing problems bringing humanitarian assistance into Ukraine due to a lack of local infrastructure and/or experience.

U.S. Department of State – Operation Provide Hope: In FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS expended approximately \$2.28 million to deliver \$46.80 million in privately donated and Defense Department excess humanitarian commodities to Ukraine. Several small and medium-sized U.S. PVOs contributed to this effort, the largest of which is Counterpart International. In addition, the World Council of Hellenes Abroad established a new distribution program in Ukraine.

Preview of FY 2001 Programs

U.S. Government-funded assistance to Ukraine will continue to focus on grassroots reform efforts, supporting the next generation of leaders through exchanges and training, and strengthening NGOs, small businesses and independent media. Assuming continued commitment to reform by the Ukrainian Government, top U.S. Government assistance priorities will continue to include support for critical economic structural reforms, such as energy and agricultural sector restructuring. Other key areas will include rule of law/anti-corruption, law enforcement (including efforts to combat illegal trafficking in women), and special initiatives such as the Kharkiv Partnership and PAUCI. A major USAID follow-on activity in the area of fiscal reform, the FISCAL II Project, will seek to enhance the Ukrainian Government's capacity to draft and implement macro-economic reform policies. To be initiated in early 2001, FISCAL II will initially focus on improving tax administration policies that promote private-sector development. The activity will include significant training resources to assure skills transfer to Ukrainian Government staff.

U.S. Government-funded security programs will continue to focus on nonproliferation, with an increased emphasis on border security and export control and through Science and Technology Center in Ukraine (STCU) to prevent the proliferation of weapons expertise.

UZBEKISTAN

Economic and Political Overview

In FY 2000, Uzbekistan made little progress in the areas of economic and democratic reform. Although Uzbekistan has a parliamentary system and President Karimov voices support for democratic values and market-based economic reform, in practice, the Government of Uzbekistan has failed to undertake serious economic reform and has made little progress in promoting democracy and human rights.

The Uzbek Government's incremental economic reforms have been ineffective, due mainly to the government's unwillingness to relinquish control to market forces. This has resulted in a series of unsuccessful policies over the past several years, the worst of which was the 1996 suspension of free convertibility of Uzbekistan's national currency, the soum, into hard currency. In addition, the country's legal and regulatory environment remains adverse to business development. The Uzbek Government's failure to restore currency convertibility and to create attractive conditions for investors has hindered the country's economic development and has discouraged international financial institutions such as the International Monetary Fund and the World Bank from providing much-needed support. The country's unfavorable business environment has also been the primary obstacle to Uzbekistan's accession to the World Trade Organization (WTO).

The Government of Uzbekistan has also not been willing to implement democratic reforms. Despite a constitutional guarantee of freedom of speech, political opposition to the government is not permitted in practice. The Uzbek Government did not allow opposition candidates to participate in the December 1999 parliamentary elections and January 2000 presidential election. The government continues to censor newspapers, and the country's 30 or so independent television stations continued to practice self-censorship rather than risk losing their licenses. Civil society nevertheless continued to develop in Uzbekistan in FY 2000, albeit within the narrow parameters set by the government. The fact that more than 500 grassroots non-governmental organizations (NGOs) exist in Uzbekistan, including artisans', lawyers' and judges' associations, reflects the Uzbek Government's willingness to tolerate civic activity in uncontroversial areas. A law on NGOs, which was drafted with U.S. Government assistance, was passed in August 1999, but implementing regulations were never issued.

In FY 2000, abuses of human rights continued to be widespread in Uzbekistan. The Uzbek Government continued to deny registration to two independent human-rights organizations and continued its campaign to silence the members of these two organizations. The Uzbek Government also continued to hold an unknown number of political prisoners, including human-rights activists imprisoned on fabricated charges. Police continued routinely to plant evidence on suspects, and beat and torture detainees to obtain confessions. Despite a 1997 law on prison reforms, prison conditions remained poor in Uzbekistan. However, in January 2001, the Uzbek Government signed an agreement with the International Committee of the Red Cross (ICRC) giving the ICRC access to Uzbekistan's prisons.

In response to the explosion of five bombs in Tashkent in February 1999, the Government of Uzbekistan cracked down against Islamist groups and practicing Muslims, whom it considers to be security threats. This crackdown continued throughout FY 2000. The police have detained thousands of people, often after planting narcotics, weapons, ammunition or Islamist literature on them. Many of those detained have been held incommunicado and have been tortured. Hundreds of those convicted of belonging to Islamist groups unconnected to the bombing have been sentenced to 12 to 20 years in prison.

At the same time, however, Uzbekistan also struggled with the legitimate threat of terrorism. The declared aim of the Islamic Movement of Uzbekistan (IMU), which was added to the U.S. Government's list of designated foreign terrorist organizations in September 2000, is to overthrow the Government of Uzbekistan by violent means in order to establish an Islamic state. During an attempt to enter Uzbek territory via Kyrgyzstan in late 1999, IMU fighters based in Tajikistan and Afghanistan were fought back by Kyrgyzstan's Armed Forces. IMU fighters reappeared in southern Kyrgyzstan in August 2000 and were once again pushed back by the Kyrgyz Armed Forces. The IMU also made incursions into Uzbek territory, but were defeated by the Uzbek Armed Forces, who retook all of the territory that had been held by the IMU.

Overview of U.S. Government Assistance

In FY 2000, the U.S. Government provided an estimated \$64.44 million in assistance to Uzbekistan, including \$20.06 million in FREEDOM Support Act assistance, \$11.40 million in U.S. Department of Agriculture (USDA) food aid, \$5.43 million in other U.S. Government assistance, and \$27.55 million in U.S. Defense Department excess and privately donated humanitarian commodities.

Given the Uzbek Government's continued reluctance to permit broad-based economic and political reform, the U.S. Government supported training and exchange programs targeted at Uzbekistan's next generation of leaders, as well as programs promoting the development of the country's non-governmental sector, including capacity-building training and small grants provided to NGOs and independent media outlets.

USAID programs, which accounted for \$9.4 million of FREEDOM Support Act-funded assistance in FY 2000, were focused on the broad areas of small-business development, democracy and governance, energy and environment, and social-sector reform. USAID began shifting its efforts away from promoting economic reform at the national level, towards support for private enterprise development, health-care reform and infectious disease control. As a result of the Uzbek Government's refusal to implement macro-economic reforms, USAID significantly reduced its market-transition assistance and redirected its resources towards education and training.

Business and Economic Development, Trade and Investment Programs

USAID Fiscal Reform Programs: In FY 2000, USAID discontinued its technical assistance in the areas of budget and tax administration. Budget assistance was discontinued due to the Uzbek Government's failure to adopt critical pieces of legislation, including a budget law and a treasury system law drafted with the help of USAID-funded advisors. A budget law was finally adopted in December 2000. The treasury law still has not been submitted to the parliament. After the computerization of the State Tax Committee's operations was completed in February 2000, USAID stopped providing assistance in the area of tax administration.

USAID Support for WTO Accession: Although the formal process of Uzbekistan's application for accession to the World Trade Organization (WTO) continues, the Uzbek Government has made no substantial progress since 1998 on the underlying policy changes needed to achieve WTO accession. Given this lack of progress and competing priorities for scarce assistance resources, USAID discontinued its WTO accession-related activities in FY 2000.

Central Asian - American Enterprise Fund (CAAEF): In FY 2000, Uzbekistan's overarching economic constraints stunted the CAAEF's in-country operations, the principal obstacles being the lack of client access to foreign exchange and the difficult regulatory environment for businesses. The CAAEF moved its headquarters from Tashkent to Almaty, Kazakhstan, but will maintain an office in Tashkent.

Training, Exchanges and Educational Reform Programs

Since FY 1993, U.S. Government-funded exchange programs have brought over 1,800 Uzbek citizens to the United States for short-term professional or long-term academic training, including some 260 in FY 2000 alone. These programs give participants an opportunity to develop their skills and establish valuable contacts with U.S. counterparts.

USAID Training Programs: Over 1,900 Uzbek citizens participated in USAID-sponsored training programs in FY 2000, roughly two-thirds of them men and one-third women. Of this total, 36 participated in U.S.-based programs, 78 in third-country programs and over 1,800 in in-country programs. Over 800 received training in the area of economic restructuring, over 700 in democratic reform and some 90 in social stabilization. In addition, many of USAID's implementing partners also provided in-country training to complement their technical assistance. Over 200 USAID-trained Finance Ministry officials are now working to achieve Uzbekistan's conversion to International Accounting Standards (IAS). Following a USAID-sponsored regional conference on women's issues, family and health, conference participants formed several working groups in critical areas relating to the role of women in society. Study tours and regional conferences for health officials and representatives of medical institutions have helped Uzbekistan's health officials redesign the country's primary health care services, based on lessons learned throughout the region.

U.S. Department of State – Public Diplomacy Exchanges: In FY 2000, almost 200 Uzbek citizens traveled to the United States on academic and professional exchange programs administered by the U.S. Embassy's Public Affairs Section in collaboration with the Bureau of Educational and Cultural Affairs (ECA). Over 60 Uzbek citizens participated in one- to two-year academic exchanges through the Muskie Fellowship/Freedom Support Act (FSA) Graduate Exchange Program, FSA Undergraduate Program, and Future Leaders Exchange (FLEX) Program for high school students. A total of 13 scholars traveled to the United States under Fulbright, Regional Scholars and Contemporary Issues Fellowships. Some 20 high school teachers and administrators traveled to the United States under the Partners in Education (PIE) and Teaching Excellence Awards (TEA) Programs. In addition, 27 of Uzbekistan's leading professionals traveled to the United States under the International Visitors (IV) Program. These IV visits focussed on a range of issues, including defense and security, economic development, human rights and freedom of the press.

U.S. Department of State – NIS College and University Partnership Program: In FY 2000, the U.S. Embassy's Public Affairs Section, in collaboration with the State Department's ECA Bureau, launched a three-year partnership between Tashkent's University of World Languages (UWL) and Boston's Northeastern University to develop new journalism programs at UWL. In addition, Tashkent's Agricultural University received a three-year partnership grant to work with the University of Maryland on establishing a new program in agricultural development involving other universities and regional training centers throughout Uzbekistan.

U.S. Department of State – Regional English Language Program: In order to improve the quality of English teaching in Uzbekistan, the Regional English Language Officer (RELO) based in Tashkent is working with the Ministry of Education to create and introduce a new English-teacher education curriculum at the University of World Languages. To prepare Uzbek faculty to implement the pilot curriculum, the RELO Office organized a range of English-language teacher training opportunities, including U.S.-based programs on teaching English as a foreign language, as well as training courses at highly regarded English-language teacher education programs in Hungary and Turkey.

U.S. Department of Commerce – Special American Business Internship (SABIT) Program: In FY 2000, the SABIT Program provided short-term internships for 12 Uzbek participants. (Please see the U.S. Department of Commerce – SABIT section in Part III of this report.)

U.S. Department of Agriculture – Cochran Fellowship Program: In FY 2000, the Cochran Fellowship Program provided short-term training to 17 Uzbek agriculturists. (Please see the U.S. Department of Agriculture – Cochran Fellowship Program section in Part III of this report.)

Democracy Programs

Democracy Fund Small Grants Program: In FY 2000, the U.S. Embassy's Democracy Commission awarded 25 small grants totaling approximately \$150,000 to local NGOs working in such areas as human rights, women's rights, and business development.

U.S. Department of State – Internet Access and Training Program (IATP): In FY 2000, the IATP Program opened three new public access Internet sites in Uzbekistan, bringing the total in the country to four. In addition to an existing site in Tashkent, an additional site was opened in Tashkent, as well as new sites in Nukus and Samarkand. A fifth site is slated to open in Ferghana in February 2001.

USAID Democracy Programs: In FY 2000, the U.S. Government continued its policy of not providing election-related assistance to the Government of Uzbekistan, a policy adopted in FY 1999 due to the Uzbek Government's lack of commitment to electoral reform or to genuinely competitive elections. In addition, USAID discontinued its assistance to the Uzbek Parliament, which was having only a limited impact. Given that the 1999 parliamentary elections were neither free nor fair, and that the Government appoints most members, the Parliament has little incentive to become more responsive to the public. Therefore, assistance is neither appropriate nor is it likely to succeed. Instead, USAID provided increased support for the development of an active civil society in Uzbekistan, a process that was hindered by restrictions imposed by the Uzbek Government, ostensibly to counteract the threat of Islamic extremism. In particular, USAID has switched its focus to youth and civic education programs.

- **Support for Independent Media:** As part of its efforts to help Uzbekistan's independent media survive and function under difficult working conditions, USAID supported broadcasts by independent television stations about issues of interest to local communities. A number of these broadcasts prompted local government officials to respond to issues addressed by the broadcasts. However, in early FY 2000, two independent television stations were closed as a result of broadcasts that were critical of the government, and only one of them was subsequently allowed to reopen.
- **Support for NGO Development:** USAID made progress in supporting the development of Uzbekistan's NGO sector, especially in areas outside the capital. Uzbek NGOs became stronger and more assertive in FY 2000. Many of them embraced local advocacy as part of their agenda and interfaced more with local government officials. In FY 2000, USAID encouraged Uzbek NGOs to work with *mahallas* (neighborhood committees) to involve the community in the resolution of neighborhood problems. A new USAID-funded women's rights initiative has encouraged the development of a women's NGO movement in Uzbekistan, with a particular emphasis on rural areas.

Eurasia Foundation: In FY 2000, the Eurasia Foundation awarded some 20 grants totaling \$500,000 to Uzbekistan's NGOs in the areas of civil society, public administration and private-enterprise development. (Please see Eurasia Foundation section in Part III of this report.)

U.S. Department of State – Conference on Diversity and Democracy: The U.S. Embassy's Public Affairs Section sponsored a region-wide conference titled "Language, Ethnicity, Cultural Diversity and Democracy" at the Samarkand Institute for Foreign Languages. The three-day seminar focused on ways in which the United States and other Western democracies have addressed linguistic, ethnic and religious differences in an attempt to protect minority rights and enhance the diversity of their civil societies. In addition to three U.S. academic specialists who conducted the seminar, other speakers included language experts and social scientists from all of the Central Asian countries except Turkmenistan. In FY 2001, the Public Affairs Section will publish a Russian-language compendium of the presentations made at the conference.

U.S. Department of State – Law Enforcement Training: In FY 2000, the U.S. Government provided approximately \$2.0 million in law enforcement training and technical assistance to Uzbekistan's law enforcement agencies, with the goal of enhancing their ability to combat narcotics trafficking and organized crime while promoting the rule of law and human rights. This assistance has helped the Uzbek Government more effectively to stem the flow of narcotics from Afghanistan. During FY 2000, more than 500 officers from Uzbekistan's Ministry of Internal Affairs, National Security Service, State Customs Committee, Committee for State Border Protection, and Procuracy attended training courses coordinated by the Bureau for International Narcotics and Law Enforcement Affairs (INL). Over 20 training courses were conducted by instructors from the U.S. Justice Department's International Criminal Investigative Training and Assistance Program (ICITAP) and Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT), the Federal Bureau of Investigation (FBI), the U.S. Drug Enforcement Administration (DEA) and other U.S. federal law enforcement agencies. In addition, over 120 Uzbek law enforcement officers participated in an extensive four-part computer crime investigation training program. An additional 13 Uzbek law enforcement officers graduated from the International Law Enforcement Academy (ILEA) in Budapest, Hungary, and the Uzbek Government sent representatives to the ILEA Curriculum Committee and Retrainer Conference. The U.S. State Department International Narcotics and Law Enforcement Bureau's donation of nine four-wheel-drive vehicles to the State Customs Committee helped enhance its border patrol capabilities (this donation was made as part of the larger U.S.-Uzbek cooperation on export control and border security). Several assessment visits conducted by the Bureau of Alcohol, Tobacco and Firearms (ATF), the U.S. Customs Service and INL revealed that some of the specialized practical training courses should be repeated at an advanced level of instruction and perhaps in a train-the-trainer format.

U.S. Department of Justice (DOJ) – Criminal Justice Programs: In FY 2000, under the American Bar Association's Central and East European Law Initiative (ABA/CEELI), a DOJ-funded criminal law liaison continued working with Uzbek Government prosecutors and judicial officials on judicial issues, promoting reform of Uzbekistan's existing criminal legislation and the incorporation of positive international experience in this area.

Security and Regional Stability Programs

U.S. Government-funded security programs in Uzbekistan foster democracy, civilian control of the military, the rule of law and human rights, as well as promoting stability and strengthening security cooperation among the Central Asian countries. This assistance has been provided to Uzbekistan through a wide range of U.S. assistance programs.

In FY 2000, U.S. Government-funded security assistance to Uzbekistan focused on nonproliferation, border security, regional security, and peacekeeping. The recurring incursions by militants into southwest Kyrgyzstan, combined with ongoing events in Southwest Asia and the Northern Caucasus, drew attention to the need to enhance the export control and border security capabilities of Uzbekistan and its neighboring Central Asian states. To this end, during her April 2000 visit to Tashkent, Secretary Albright announced that the U.S. Government would provide up to \$3 million in assistance under a new Central Asian Border Security Initiative (CASI). This initiative encompasses several U.S. Government-funded programs that focus on combating terrorism and stopping the illicit trafficking of weapons of mass destruction, conventional arms and narcotics. Under this initiative, the U.S. Government continued to provide training and technical assistance to Uzbekistan's Border Guards and State Customs Committee. The highlight of FY 2000 was the donation of 60 radiation-detecting pagers to the State Customs Committee by Secretary of State Albright in April 2000. This equipment donation was triggered by the Uzbek Customs Service's detection and interdiction of radioactive contraband at Uzbekistan's border with Kazakhstan, which demonstrated the seriousness of the Uzbek Government's efforts to stem the proliferation of weapons of mass destruction.

U.S. Department of State – Export Control and Related Border Security (EXBS) Program: In FY 2000, the U.S. Government budgeted \$1.85 million for EXBS assistance in Uzbekistan, the largest of the programs under the Central Asian Border Security Initiative. EXBS assistance focused on providing equipment, training and infrastructure support to develop and strengthen the detection, interdiction and enforcement capabilities of customs, border guards and other border security and law enforcement organizations. Assistance also included support for a dedicated communications link to facilitate Uzbekistan's exchange of information with its neighbors on border security problems and transnational threats. In June 2000, intensive discussions were held between U.S. and Kyrgyz military, security, law enforcement and counter-terrorism officials to identify and agree on assistance priorities. Assistance needs identified include portable communications systems (radios), border surveillance, detection and inspection equipment and training in its use; self-protection equipment, computers for database management, and patrol vehicles. Equipment deliveries and additional training started in fall 2000. As of the end of FY 2000, procurement and deliveries were well under way.

U.S. Department of Defense (DoD) – Cooperative Threat Reduction (CTR or Nunn-Lugar) Program: In FY 2000, the CTR Program allocated \$4 million to continue the demilitarization of the former chemical-weapons facility in Nukus and \$307,700 to the CTR Defense and Military Contacts Program, which sponsored a total of 25 events in Uzbekistan in FY 2000—14 outside of Uzbekistan and 11 in-country. Uzbek Government cooperation in this area has been excellent.

U.S. Department of State – Partnership for Peace/Foreign Military Financing (FMF): In FY 2000, the U.S. Department of State provided \$1.75 million in Foreign Military Financing (FMF) for Uzbekistan and \$547,000 for training under the International Military Education and Training (IMET) Program.

U.S. Department of Defense (DoD) – Warsaw Initiative: A total of \$102,000 in DoD Warsaw Initiative funding was used to support Uzbekistan's participation in NATO Partnership for Peace exercises, 80 percent of which was funded by NATO and 20 percent by the U.S. Government. Uzbekistan sent a platoon to Central Asian Peacekeeping Battalion (CENTRASBAT) exercises, and participated fully in exercise "Combined Endeavor." Uzbek Government representatives also participated as observers in several other PFP exercises.

U.S. Department of State – Anti-Terrorism Assistance (ATA) Program: Since the expansion of the ATA Program to Uzbekistan in 1999, the Uzbek Government has actively participated in the annual Regional Counter-Terrorism Conference hosted in Washington, D.C. U.S.-Uzbek government-to-government cooperation in combating terrorism has been very good. In FY 2000, 70 officials from Uzbekistan's Ministry of Internal Affairs, National Security Service, Committee for State Border Protection and other law enforcement agencies received training in post-blast investigation, officer safety and survival, and rural border-patrol operations. The ATA Program provided four Uzbek Government officials with an opportunity to visit a Bureau of Alcohol,

Tobacco and Firearms (ATF) training site for bomb-sniffing dogs, with the goal of assessing the prospects for Uzbekistan's participation in the program. The ATA Program is planning to conduct a crisis management seminar in Washington, D.C. for senior-level officials from Uzbekistan.

U.S. Department of Defense (DoD) – Counter-Proliferation Programs: Under the DoD/U.S. Customs Service (USCS) Counter-Proliferation Program, Uzbekistan's Border Guards received two sessions of advanced training in cross-country tracking conducted by Native American members of the unique "Shadow Wolves" patrol division of USCS. In addition, U.S. officials conducted two evaluation visits to inspect equipment previously donated, including a mobile x-ray van, fiber-optic scopes, density meters, radiation pagers, and other equipment. In FY 2001, the State Customs Committee and Border Guards will receive training in large port module equipment operations, as well as a donation of related equipment. Under the DOD/FBI Counter-Proliferation Program, specialists from the U.S. Department of Commerce, FBI, DoD and USCS conducted two consultations on export control legislation and enforcement for Uzbekistan's Ministry of Foreign Economic Relations, State Customs Committee, National Security Service and other relevant agencies. These consultations included discussions of Uzbekistan's new draft legislation on export control.

Energy and Environmental Programs

USAID Water Management Programs: USAID-funded advisors helped Uzbekistan's water managers work with their counterparts in neighboring Central Asian countries to develop a regional water-use optimization model for the Syr Darya Basin, which will facilitate the more efficient use of water resources for energy and irrigation purposes in the region. USAID sponsored several training programs, including a U.S. study tour on local water management for representatives of Uzbekistan's associations of water users. As a result, officials in Uzbekistan's Ministry of Agriculture and Water Resources have demonstrated a more open attitude towards transferring water management responsibilities to the user level instead of maintaining total government control. A USAID-funded pilot project at a water diversion facility near Tashkent is demonstrating improved water monitoring and control techniques on a main canal that carries water for both agricultural and municipal uses.

USAID Environment Programs: USAID provided technical assistance to help the Uzbek Government assess the potential for participating more fully in the United Nations Convention on Climate Change. This work has been highly successful, as Uzbekistan has become a leader in the movement towards greater participation by developing countries. Uzbek Government officials had an opportunity to use their newly acquired skills when they presented Uzbekistan's national strategy for combating climate change at the Sixth Conference of the Parties.

USAID Energy Sector Programs: In FY 2000, USAID provided training to Uzbekistan's energy-sector officials, with the goal of developing their skills and knowledge in the areas of energy payment systems, environmental protection and energy conservation.

Social-Sector and Humanitarian Programs

USAID Health-Care Reform Programs: In FY 2000, USAID continued to focus on promoting the development of a cost-effective and efficient health-care system in Uzbekistan. USAID sought to help build a policy consensus and legal framework for health-care reforms, improve the quality of primary health care, improve the use of health-care resources, and inform Uzbek citizens about the potential positive impact of health-care reforms on their daily lives. USAID's efforts to strengthen local health-care capacity contributed to the establishment of independent primary health care facilities in three demonstration regions. All of these community-based primary care practices are participating in the implementation of new payment methods based on a set amount per enrolled client. USAID has also helped create management information systems to improve decision-making on financial and clinical issues. Health-care finance reforms have resulted in an increase of the health care budgets in the three pilot regions from an average of 11 percent to an average of 25 percent. In addition, USAID developed and conducted clinical training courses for some 80 family physicians and nurses on number of critical primary health-care topics, including reproductive health, acute respiratory infection, hypertension, and first aid. USAID also implemented a community-based reproductive health education program, which through cultural events and seminars is educating entire communities on a wide range of issues, including breastfeeding, family planning, anemia, sexually transmitted diseases and HIV/AIDS.

USAID Infectious Disease Programs: USAID strengthened its tuberculosis and hepatitis control programs in Uzbekistan in FY 2000. With USAID support, a tuberculosis treatment and prevention program is being implemented in five pilot regions. Under this program, a national tuberculosis reference laboratory has been opened, and pilot tuberculosis laboratories have been improved. USAID also helped a hepatitis laboratory improve the quality of its diagnoses and surveillance.

USAID Health Partnership Program: In FY 2000, a new USAID-funded health partnership between Atlanta's Emory University and the Ferghana Oblast Emergency Care Center began to focus on developing an efficient emergency care system. Under this partnership, an emergency care training center has begun training mid-level health care and primary health care personnel. An additional partnership in nursing education has been developed and will be launched in FY 2001.

U.S. Department of Agriculture (USDA) – Food Aid: In FY 2000 the Department of Agriculture provided \$10 million in government-to-government food assistance -- 38,500 metric tons of wheat -- to Uzbekistan. In addition, it provided \$20 million under the GSM-102 export credit guarantee program. Through the American Red Cross (ARC), USDA provided over \$750,000 in commodities under its Food for Progress program and 3,043 metric tons of commodity under a direct feeding program. The total value of this ARC Aral Sea regional initiative was \$1.4 million.

U.S. Department of State – Operation Provide Hope: Since 1992, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS has transported almost \$123 million in humanitarian assistance to Uzbekistan. In FY 2000, Operation Provide Hope delivered approximately \$27.55 million in humanitarian commodities to Uzbekistan at a cost to the U.S. Government of approximately \$1 million. This assistance, which consisted of privately donated high-value pharmaceuticals, other donated commodities and U.S. Defense Department excess property, was provided primarily through the U.S. private voluntary organizations Heart-to-Heart/Association of American Family Physicians, AmeriCares, Project HOPE and Counterpart International.

Cross-Sectoral Programs

Eurasia Foundation: In FY 2000, the Eurasia Foundation's regional office awarded 21 grants totaling over \$436,000 to Uzbek non-governmental organizations (NGOs) in the areas of civil society-building, private enterprise development and public administration and policy. One major success during FY 2000 was a grant to the Business Incubator Djizzak in Uzbekistan, which established 10 private farms and created approximately 50 new jobs.

Peace Corps: The number of Peace Corps volunteers (PCVs) serving in Uzbekistan increased from 100 in FY 1999 to 135 at the end of FY 2000. PCVs continued to work in the areas of teaching English as a foreign language, business education and health.

- **Teaching English as a Foreign Language:** The objective of this program is to increase the availability, quality and resources of English-language programs and information in Uzbekistan for students and teachers. PCVs taught students in the classroom and interacted with them informally in English-language centers and clubs. PCVs worked with teachers to organize group activities requiring students to speak English, work together to solve problems and think critically. PCVs also worked with their Uzbek counterparts to develop resource centers, lesson plans, conduct team-teaching, and organize teacher workshops focusing on communicative methodology, curriculum development and student motivation. PCVs were involved in numerous community activities, including sports clubs/teams and girls clubs. In FY 2000, PCVs taught English language, American culture and critical-thinking skills to over 6,200 elementary and secondary-school students, and university students. PCVs trained over 575 Uzbek teachers in English language skills, teaching methods and ways to access professional development opportunities and information. PCVs' secondary projects included expanding little league baseball in the Ferghana Valley, opening some 15 new resource centers throughout the country, and holding over 13 summer camps for children throughout Uzbekistan, including five Girls Leading Our World (GLOW) camps held in conservative regions of Uzbekistan (including Namangan, Khorezm and Bukhara) with the goal of developing girls' skills and building their self-confidence, so that they can become future leaders and decision-makers in their communities. More than 400 girls from throughout Uzbekistan participated in the GLOW camps. In FY 2000, Peace Corps-Uzbekistan senior management and PCVs worked closely with Uzbek teachers and

Uzbekistan's Ministry of Education to develop curricula for English-language education in grades one through four, as well as corresponding activities. In FY 2001, the newly developed curriculum will be piloted in 37 schools, in fulfillment of a decree issued by the Ministry of Public Education.

- **Business Education:** The purpose of this program is to educate Uzbek citizens in market economics and basic business skills, and to help build small-enterprise capacity by providing current and future entrepreneurs with the business skills necessary to operate profitably in a free-market economy. Under this program, PCVs are increasing the knowledge and skills of students, teachers, NGO leaders and small entrepreneurs by focusing on the transfer of basic business skills. In FY 2000, business education PCVs trained teachers, conducted seminars, and taught at retraining institutes, business centers, business schools and universities, reaching approximately 1,250 students, 45 teachers, and over 540 entrepreneurs and community members. PCVs provided students and entrepreneurs with skills, concepts and information in a wide range of areas, including marketing, economics, Junior Achievement, law and legal institutions, banking, writing grant proposals and business letters, conversational English, business English and teaching methodologies. The Peace Corps collaborated successfully with the U.S.-based National Council for Economic Education (NCEE) to conduct a workshop on participatory teaching methodology for economics teachers.
- **Health:** The Peace Corps began working in the health field in Uzbekistan in March 1999, helping to strengthen the Ministry of Health's program to provide primary health-care services to Uzbekistan's rural population and thereby reduce morbidity and mortality, particularly due to easily preventable or treatable illnesses. In FY 2000, the Health Project expanded from the Ferghana Valley and Tashkent to five other regions of Uzbekistan. The health project has three main objectives: (1) to increase the availability and quality of health information and education aimed at improving the health behavior in communities; (2) to increase the capacity of local health-care institutions to conduct health promotion and education activities, and to improve their management practices; and (3) to improve the English-language ability and professional development opportunities of health personnel in Uzbekistan. In collaboration with Abt Associates, a USAID contractor, PCVs developed a policy and procedural manual for use by rural clinics in implementing new management and financial procedures. Health PCVs obtained a grant for the purchase and creation of educational materials and the establishment of health education resource centers in five rural clinics in the Ferghana Valley. PCVs also promoted good health habits and supported the resource centers through health fairs designed to advertise each clinic and its services and teach community members about diarrhea, anemia and other health issues. An estimated 3,680 women and children increased their knowledge of prevention techniques for basic illnesses through educational activities, materials and outreach projects. PCVs and Peace Corps staff trained 27 local health professionals in the use of the Uzbek-language version of the *Healthy Communities Handbook*. Over 200 Uzbek health professionals have benefited from PCV activities, and some 50 have developed the ability to conduct their own health seminars and fairs. In addition, a Peace Corps computer specialist designed databases for tracking health information and trained some 26 individuals in database use and development at the Ferghana computer center. In FY 2001, the Health Project will phase out the English-language teaching component and the health management component, and will focus on health promotion and education.

Programs Promoting the Objectives of the Silk Road Strategy Act (SRSA) of 1999

In FY 2000, a number of U.S. Government-funded assistance programs contributed to the objectives laid out in the SRSA—promoting reconciliation and recovery from regional conflicts; fostering economic growth and development; promoting infrastructure development; increasing border control capabilities; and promoting democracy, tolerance, and the development of civil society. Please see the above sections for numerous examples of programs that contributed to one or more of these objectives.

Preview of FY 2001 Programs

In FY 2001, the U.S. Government will continue to provide assistance to Uzbekistan in the areas of economic reform, energy and environment, health-care reform, counter-terrorism, counter-narcotics, counter-proliferation, and democratic transition. U.S. Government cooperation with the Uzbek Government in the vital areas of counter-terrorism, counter-narcotics and counter-proliferation will continue to be expanded. Assistance in these areas will continue to be provided through security programs highlighted under the Central Asian Border Security Initiative (CASI). Meanwhile, however, the U.S. Government's programs promoting economic and political reform will continue to be shifted away from the Uzbek Government and towards the country's non-governmental sector, with an emphasis on training and exchange programs. Market-transition efforts will be focussed on the development of small and medium-sized enterprises (SMEs) by improving access to business education and training. Training will be provided to small and medium-sized entrepreneurs to improve their business skills in marketing, management, accounting, and other areas. USAID will support university-level business and economics education, will promote business advocacy associations and will explore the possibility of implementing a micro-credit program. The U.S. Government may reconsider the level and nature of its economic reform assistance, should the Uzbek Government begin to implement the broad economic reforms necessary to foster a better investment climate.

USAID, the Embassy's Office of Public Diplomacy, and the Peace Corps will continue to expand NGO development activities and to promote civic education for youth. Specific programs will focus on developing a women's NGO coalition, promoting NGO coordination with *mahallas* (neighborhood committees), and strengthening judicial reform legislation. USAID will collaborate with local partners to establish an environmental advocacy center where citizens can learn to advocate on behalf of their communities on environmental issues.

Due to doubts about the Uzbek Government's commitment to health-care reform, expansion of assistance in the health sector has been slow, but the U.S. Government will seek to broaden its efforts to introduce the primary health-care practice model and enhancing its tuberculosis control activities. Two new USAID-funded health partnerships will be developed and expanded in FY 2001. However, if the currency convertibility issue is not resolved, pharmaceuticals will continue to be in short supply, potentially jeopardizing the effectiveness of our entire range of health-care activities.

USAID will increase its activities in water management in Uzbekistan, providing additional training on technology and policy issues. As part of a broader regional effort, the U.S. National Oceanic and Atmospheric Administration (NOAA) will help improve Uzbekistan's ability to forecast water runoff and plan water allocations. In addition, USAID will sponsor pilot demonstrations on water district management and the use of agri-forestry as a means of bio-drainage in waterlogged soils. USAID-funded work on the development of trans-boundary agreements for shared water systems will also continue, with the goal of reducing regional tensions over water resources.

III. ASSESSMENTS OF MAJOR PROGRAMS

The following section describes the objectives of the major regional U.S. Government-funded NIS assistance programs by agency, summarizes their achievements and assesses their effectiveness.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID) – BUREAU FOR EUROPE AND EURASIA (E&E)

USAID's democratic reform, economic restructuring, and social transition programs seek to help the NIS countries build institutional capacity and establish sustainable and mutually beneficial partnerships with the United States, other regions of the world, and amongst themselves. At this stage of their transition, USAID is helping the NIS countries improve their capacity to manage their own political and economic systems, facilitate private enterprise development, increase employment opportunities, and reduce poverty.

USAID promotes the fundamental values of democratic governance and citizen participation, and the development of democratic institutions in the NIS countries. USAID-funded assistance is focused on strengthening the rule of law, fighting corruption, strengthening independent media, enhancing democratic elections, and increasing the involvement of non-governmental organizations (NGOs), communities and local governments in political and economic decision-making.

USAID is increasing its social-sector assistance in the region, as the transition to democracy and free-market economics has placed heavy burdens on many segments of the populations of the NIS countries. While building robust market-based economies remains the best long-term strategy for improving living standards in the region, the mitigation of negative social trends merits assistance in the medium term. Improved education, health care and social protection systems are needed to sustain economic restructuring and democratic reform. In addition, social transition programs are serving U.S. foreign policy objectives by promoting regional stability and reducing transnational health risks.

The USAID-funded assistance activities described in the 12 country assessments in Part II of this report fit into the E&E Bureau's strategic framework for the NIS, which consists of 12 strategic objectives divided into four broad strategic assistance areas:

STRATEGIC ASSISTANCE AREA 1: ECONOMIC RESTRUCTURING

- 1.1 Privatization:** The increased transfer of state-owned assets to the private sector
- 1.2 Fiscal Reform:** Increased soundness of fiscal policies and fiscal management practices
- 1.3 Strengthening Private Enterprises:** Accelerated development and growth of private enterprises
- 1.4 Financial Sector Reform:** A more competitive and market-responsive private financial sector
- 1.5 Sustainable Energy Systems:** A more economically sound and environmentally sustainable energy system
- 1.6 Environmental Management:** Increased environmental management capacity to support sustainable economic growth

STRATEGIC ASSISTANCE AREA 2: DEMOCRATIC TRANSITION

- 2.1 Citizen Participation:** Increased, better-informed citizen participation in political and economic decision-making
- 2.2 Rule of Law:** Legal systems that better support democratic processes and market reforms
- 2.3 Local Government:** More effective, responsible, and accountable local government

STRATEGIC ASSISTANCE AREA 3: SOCIAL TRANSITION

3.1 Strengthened Humanitarian Response to Crises

3.2 Sustainable Social Services: Improved sustainability of health and other social benefits and services

3.4 Mitigation of Adverse Social Impacts of the Transition to Market-Based Democracies

STRATEGIC ASSISTANCE AREA 4: CROSS-CUTTING PROGRAMS AND SPECIAL INITIATIVES

Descriptions of these strategic objectives, as well as summaries of the progress achieved under each of them in FY 2000, are provided below:

STRATEGIC ASSISTANCE AREA 1: ECONOMIC RESTRUCTURING

Goal: To foster the emergence of a competitive, market-oriented economy in which the majority of economic resources are privately owned and managed

STRATEGIC OBJECTIVE 1.1: The increased transfer of state-owned enterprises to the private sector

This objective entails USAID support for the transfer of public enterprises and other state-owned assets (e.g., land, housing stock, financial institutions and utilities) to private ownership and management. Areas of emphasis include the following:

- Policy, legislative and regulatory actions to facilitate and provide confidence in privatization;
- Technical assistance, training and policy advice to strengthen local institutional capabilities to manage privatization programs;
- Assistance in organizing and financing privatization arrangements (e.g., mass privatization, auctions, competitive tenders, and employee ownership);
- Assistance in providing public education on privatization; and
- Post-privatization assistance as part of a continuum of privatization assistance for specific-owned enterprises.

Progress Made in FY 2000

Progress in the transfer of ownership of state assets into private hands differs widely across the NIS region. Some countries have virtually completed the process while others are still in the early stages of privatization. In general, small-scale privatization is largely finished, with the exception of Belarus, Tajikistan and Turkmenistan. Eight of the twelve NIS countries have a private-sector contribution to GDP at or above 50 percent. Most NIS countries have significant ongoing efforts for the privatization of the medium-sized, large and “strategic” companies. Others still have a long way to go. Across the region, it has become apparent that the “roots” of privatization—a systemic confidence in the efficacy of ownership rights and remedies—remain shallow and fragile, and significantly more must be done to facilitate the emergence of a culture of private enterprise.

Continued privatization progress was realized in FY 2000, although gains were slow and somewhat incremental. The share of private sector contribution to GDP continued to rise as more medium and large enterprises were privatized and progress was made in land privatization and titling. The focus of USAID's efforts under SO 1.1 is continuing to shift away from hands-on direct support for privatization *per se*, and towards “deepening” privatization, with an emphasis on the following: (1) shareholder rights and corporate governance, (2) establishing a conducive business environment to foster investment and trade linkages, (3) assuring that the proper market oversight structures and rules are in place to ensure a fair, non-corrupt playing field and, (4) establishing effective and orderly insolvency systems to facilitate the reorganization of potentially viable firms to reorganize and the liquidation of non-viable firms. In addition, continuing attention is being given to land privatization and titling.

It must be noted that despite good progress, privatization is far from complete in the NIS. The inability or unwillingness to push through and complete privatization of medium-sized and large enterprises constitutes a

significant impediment to transition and perpetuates the economic distortions that impair economic growth. Until such firms are in the private sector and restructured, progress in the growth of the real economy will continue to be slow.

Privatization

Small-scale privatization is essentially complete in Russia, Kyrgyzstan, Armenia and Georgia, largely complete in Ukraine, Moldova, Uzbekistan, Kazakhstan and Azerbaijan, and beginning in Tajikistan, Turkmenistan and Belarus. Privatization of medium-sized and large enterprises is largely complete in Russia, Georgia and Armenia, partially complete in Kazakhstan, Moldova and Kyrgyzstan, but largely incomplete elsewhere in the region.

Moldova: Small-scale privatization was largely completed in the early years of transition, but privatization of medium and large firms has been slow and uneven—by the end of 1998, only 50 percent of the large companies scheduled for privatization had been sold. However, privatization has accelerated over the past two years, and is to be completed by the end of 2002. In 1999, the government raised about \$120 million by selling shares in over 160 companies. Significant progress was made in break-up and privatization of large-scale collective farms and in agricultural land reform in 1998-99. Privatization and distribution of agricultural land titles is under way, and the intent was to distribute one million land titles by the end of 2000. Roughly 85 percent of agricultural land is privately held. Housing privatization is at its highest level, with almost 91 percent of the country's housing now in private hands. Slow privatization of large firms has resulted in a low private sector share of GDP of from 50 to 55 percent. Private-sector employment is about 66 percent. The private sector accounts for only about 40 percent of industrial production and 49 percent of industrial workers.

Ukraine: Small-scale privatization is largely complete, with over 50,000 enterprises privatized. In addition, over 9,500 medium-sized/large enterprises are more than 70-percent privatized. Over a quarter of the 200 large enterprises originally identified for privatization have been sold, although with little foreign investment. The current privatization program focuses on cash sales of stakes in 450 medium-sized enterprises. The government put into place an aggressive privatization program for the year 2000, under which it hopes to privatize 2,000 medium and large companies. Privatization of the agricultural sector continues; however development of the sector has been adversely impacted by limited private ownership of agricultural land. Following a presidential decree, the first stage of agricultural land reform was completed in April 2000, with transfer of ownership of collective farms to private entities or cooperatives. This will be followed by land titling and privatization to individual farmers. The private sector share of GDP is slightly above 55 percent.

Tajikistan: Privatization was restarted in 1997, and by mid-1998, 80 percent of small enterprises were in private hands. The focus is now on privatization of medium-sized and large enterprises, with about 40 percent of these firms privatized by the end of 1999. However, major sectors of the economy—including heavy industry, wholesale trade and transport—remain largely under state ownership, and private share contribution to GDP is only around 30 to 35 percent. Agricultural reforms are underway, with 50 percent of total agricultural land transferred to private hands by the end of 1999.

Azerbaijan: Small-scale privatization is largely complete; however, medium- and large-scale privatization has not advanced significantly. Some 950 companies have been privatized through cash auctions and some 800 through voucher privatization (begun in 1997), although voucher privatization has been stalled for the past year. The parliament has still not approved a new program for large-scale privatization of some 50 enterprises. As a result, the percent of GDP coming from the private sector is around 50 percent, and only about 50 percent of the work force is in the private sector (with private-sector activity mostly concentrated in the new services industry). Land privatization began in 1995, but has proceeded slowly. Under the Law on Land Reform passed in 1996, it is envisioned that 22 percent of land will be privately owned, 45 percent will be state-owned, and 33 percent will be municipally owned. Little actual privatization has been accomplished in the housing sector.

Turkmenistan: Progress in privatization has been extremely limited, with the private sector accounting for only around 25 to 30 percent of GDP. Small-scale privatization has proceeded very slowly, with only 78 enterprises sold in 1999. A number of privatization initiatives for medium-sized and large enterprises have been announced, but limited progress has been realized. Little has been done in land privatization—state and collective farms were converted into peasants' unions in 1995, with land being leased to farmers. A 1996 law

makes Turkmen citizens eligible to own land, but does not give them right to sell land. Housing has been privatized to a modest extent.

Belarus: Privatization has been extremely slow since 1995. The private sector currently accounts for only 20 percent of GDP and only 25 percent of the workforce, although the pace of privatization did pick up somewhat in 1999-2000 as the government completed privatization of some 80 percent of the small-scale units targeted in 1994. Very little progress has occurred in privatization of large and medium-sized enterprises, as the state remains unwilling to relinquish control. Farmland has not been privatized to any significant degree, although housing has in large measure been privatized.

Uzbekistan: The EBRD estimates that 45 to 50 percent of GDP is from the private sector, although some dispute that this figure is too high. Small-scale and medium-scale privatization commenced in 1993, with some 35,000 units and 15,000 units privatized by 1995, respectively. However, the state and collectives together retained a majority position in many of these companies. Little has been achieved in the privatization of larger enterprises. In regard to land privatization, little formal privatization has been accomplished, although *de facto* ownership is the norm. Housing privatization has been largely completed, although transferability remains problematic.

Remaining Issues

With the first stage of privatization—the transfer of title—largely complete, the second stage will focus on the quality of privatization, in particular ensuring that firms are being managed in a manner intended to improve long-term performance and increase shareholder value, and that a level playing field is in place to promote competition. Effective governance of firms remains hampered by a lack of quick and reliable legal remedies, as well as by pervasive corruption. USAID support will increasingly be focused on assuring that appropriate rights and remedies are available to owners of firms. In addition, attention will be given to encouraging competitiveness in firms through trade and investment linkages, anti-monopoly provisions, appropriate regulation, adoption of international accounting standards, functioning insolvency systems, viable financial intermediation, and ensuring that tax policy and administration does not constitute an unsupportable burden on the private sector. Land privatization and titling has had particular success in Georgia and Moldova, with the results of initiatives anticipated soon in Ukraine and Armenia. Continued support will be given for privatization of strategic enterprises, in particular for development of the regulatory structures needed to attract foreign investors.

Major Contractors and Grantees

Major contractors under this Strategic Objective are PriceWaterhouseCoopers, KPMG/Barents, International Business and Technical Consultants, Inc., Booz-Allen and Hamilton, RONCO, East-West Management Institute, and Financial Markets International. Major grantees include the Financial Services Volunteer Corps (FSVC) and the Foundation for International Community Assistance (FINCA). Interagency agreements exist with the Federal Deposit Insurance Corporation (FDIC), the Securities and Exchange Commission (SEC) and the U.S. Department of the Treasury.

STRATEGIC OBJECTIVE 1.2: Increased soundness of fiscal policies and fiscal management practices

This objective seeks to put in place fiscal policies and fiscal management practices that are conducive to macro-economic stability, increased private-sector investment, sustained economic growth, and sustainable social programs. The principal fiscal reform areas are tax policy, tax administration, budget formulation and execution, intergovernmental fiscal relations and pension reform. Improvements in these areas should lead to macro-economic improvements such as growth in GDP, low inflation, reduced deficits, and manageable debt. Specific objectives include the following:

- modernization of tax codes and administration to achieve fairness, simplicity and efficiency in revenue collection;
- development of performance-based public-sector budgets, with improved execution and transparency;
- rationalized sharing of revenue and expenditures between central, regional and local governments; and
- a modern and sustainable pension system.

Progress Made in FY 2000

Armenia: The year 2000 was one of progress in economic reform. USAID assistance led to substantial progress towards developing realistic budgets, including, as part of the 2000 budget development process, the preparation of Armenia's first Medium-Term Expenditure Framework. However, this was largely done with the assistance of foreign experts; Armenia's capacity for macroeconomic analysis and for revenue and expenditure forecasting remains weak. Although Armenia still lacks a codified set of tax laws, improvements to the existing tax laws, and an increased capacity in the Ministry of Finance for tax policy, have led to improved tax laws. However, Armenia still needs a thorough review of its tax laws in order to generate more revenue and to eliminate impediments to a market economy. Land and property taxes have not been modernized, do not produce adequate revenue, and need to be integrated into one tax based on market valuation. In conjunction with its Local Government activity, USAID is working to develop databases and strategy for land and property tax collection in nine pilot cities. That these pilot efforts should provide the impetus for realistic land and property tax reform in 2001. Under a USAID fiscal activity, the tax administration is now automated, reflecting a functional organization, including automated audit selection. Tax reform has also implemented improvements to key procedures. While all companies are now required to use International Accounting Standards (IAS), implementation is in beginning stages, with professional accounting organizations taking the lead. USAID has provided assistance in facilitating the development and enactment of a customs code compatible with WTO membership requirements. The new customs code will be effective January 2001 and will substantially change many customs procedures. In 2001, USAID will expand its technical assistance to the Customs Service to further improve its procedures and institutional capacity.

Kazakhstan: On balance, 2000 was a year of macro-economic progress in Kazakhstan. Kazakhstan has experienced economic growth, pushing up tax revenue. GDP growth in 2000 was more than seven percent, and annual inflation slowed significantly. The government is developing a reformist approach to economic policy. Additional reasons for the improvement include a recovery in commodity prices (especially oil), sound monetary policy, and government discipline in all fiscal areas. However, there is still a large shadow economy, and the government needs to broaden the tax base. Kazakhstan is currently amending its tax code; a new code is expected by 2002. Kazakhstan is in its second year of its innovative pension system. Budgeting is done through the program budgeting approach, is based on conservative assumptions, and includes three-year revenue and expenditure forecasts. In intergovernmental finance, tax-sharing rates for all regions of the country have been fixed, and expenditure responsibilities between central and local governments have been clarified.

Kyrgyzstan: With USAID assistance, Kyrgyzstan has begun program budgeting, and has started to focus on issues of intergovernmental finance. In 2000, Kyrgyzstan adopted International Accounting Standards.

Turkmenistan: Fiscal reform efforts also continued in Turkmenistan, with modest gains in tax collection.

Georgia: Corruption remains Georgia's greatest impediment to reform. Nevertheless, progress has been made. For example, Georgia's currency remains stable, and tax revenue is meeting targets. However, there is widespread "dollarization" of the economy and, generally speaking, Georgians do not place their money in Georgian banks. There is a large informal sector with significant tax evasion, particularly among small and medium businesses. Although Georgia has a modern tax law based largely on international practice, its methods of tax administration often do not comport with the law or international practice, resulting in negative public perception. However, through a memorandum of understanding with the government, USAID has embarked upon ambitious and comprehensive tax administration reform, which includes all of the standard reforms, such as automation and functional reorganization. In addition, the plan requires a reduction in staffing (by about half) of tax administration personnel through a testing and probation process. The testing process has seen some important success in reducing the numbers of employees and in hiring better-qualified people as tax inspectors. The new employees receive an increased salary, referred to as a "living wage". With USAID assistance, Georgia's 2000 budget is more realistic and transparent. Public-sector arrears are still a problem. Customs collections have not improved and are the most significant area of revenue loss; however, widespread and organized corruption has thus far prevented any real reform in this area.

Moldova: Moldova has enacted all but one title of its Tax Code. The remaining title, which governs tax administration procedures, is expected to be enacted in early 2001. USAID has provided important assistance with tax administration, which is beginning to show results. During the first four months of 2001, the State Tax Service will become fully automated. The Large Taxpayer Unit has improved its procedures. Nevertheless,

much work remains to be done in tax administration. For example, in 2000, serious delays occurred in processing VAT refunds, largely because of attempts by the tax administration to avoid fraudulent claims. This problem is being remedied; however, the situation is compounded by the government's lack of funds to pay VAT refunds after the refund is granted. These problems have jeopardized implementation of the VAT. While the government's budget process is now sound, budgets are still unrealistic and characterized by high spending on social services. The Center for Budgetary and Financial Analysis, established to assist the Parliament, is widely regarded as producing credible information. USAID plans to further develop local capacity in all fiscal areas over the next two to three years. In 2001, USAID will expand its fiscal reform assistance to local governments, assisting with improved tax administration and budgetary practices. While the Southeast Europe Cooperative Initiative (SECI) is active in customs reform in Moldova, USAID is also exploring ways to assist in improvements to the Customs Service.

Russia: Russia made significant progress in tax reform in 2000 through the enactment of most of the second part of its Tax Code (the part imposing the actual taxes). Four key chapters were enacted: chapters on the personal income tax, the value-added tax and the excise tax and the unified social tax. The personal income tax replaced the former three-tier rate scheme (from 12 to 30 percent) with a flat 13-percent rate. These new laws go into effect January 1, 2001. The chapter on the enterprise profits tax is not yet enacted, but work on this is progressing. However, Russia's inefficient tax administration means that improvements in tax policy are only partially implemented. The U.S. Department of the Treasury is working with the Ministry of Revenue to establish a modern and efficient tax administration. This assistance includes improved procedures implemented in pilot regions and automation of the tax service. The automation will be done in conjunction with a large World Bank loan for equipment. The primary USAID fiscal activity in 2000 focused on intergovernmental relations. This activity works with Russian policy-makers at the national level to improve revenue and expenditure assignments. It also works with five pilot regions to improve revenue and expenditure projections based on tax capacity and client-based expenditure norms. A significant achievement in January 2000 was the issuance of tax bills to industrial property owners in Novgorod. This occurred as a result of USAID assistance that established the necessary infrastructure, including development of fiscal cadastres, for a property tax in two pilot cities: Novgorod and Tver.

Ukraine: Progress in the fiscal area has been slow; however, advances were made. The Tax Policy Office in the Ministry of Finance, established with the assistance of USAID, is operational and will be the primary unit responsible for developing and assessing the economic impact of tax laws and regulations. A significant achievement is that budget proposals for 2001 incorporated extra-budgetary funds into the budget, and eliminated most tax exemptions. The Fiscal Analysis Office that works closely with the parliament continues to provide good publications analyzing budget execution. Intergovernmental finance was a primary focus in 2000, with the encouragement and support of USAID. Although the 2000 budget contained proposals for major improvements in this area, these proposals were ultimately withdrawn. However, the government appears committed to reforming intergovernmental finance in 2001. While Ukraine still lacks a codified tax code, progress has been made on other tax issues. Preliminary work has been done on implementing a property tax. Draft tax laws contain a property tax, although the details of this tax need improvement and refinement. As for tax administration, USAID assistance is continuing its comprehensive modernization program for tax administration. However, automation is incomplete and functional reorganization is not yet fully implemented. While progress includes the adoption of Ukrainian Accounting Standards, introduced as of January 2000, these standards will take time to implement. Additionally, they may need further refinement as they contain differences from IAS. Pension reform is still in early stages.

Major Contractors and Grantees

Georgia State University is the contractor in Russia under this Strategic Objective, and the Barents Group is the major contractor in the other NIS countries. An additional contractor in Ukraine was the Harvard Institute for International Development. Close coordination between the U.S. Treasury Department's Office of Technical Assistance, USAID's E&E Bureau in Washington, and USAID's field missions ensures productive collaboration and avoids overlap or duplication of effort.

STRATEGIC OBJECTIVE 1.3: Accelerated development and growth of private enterprises

This objective encompasses the policy reforms, legislation and regulatory actions necessary to create an enabling environment for private enterprise. It also emphasizes assistance to individual enterprises, with the goal of improving their productivity and competitiveness, and the development of business service institutions that will continue to support the growth of private firms. Micro-level assistance is directed at broad-based improvement of business practices in such areas as planning, management, production, marketing, accounting and resource mobilization. Representative policy-reform, legislative and regulatory activities include the following:

- developing commercial law and associated regulatory procedures on such topics as formation of corporations and partnerships, contracts and bankruptcy;
- promoting the protection of land ownership and intellectual property rights;
- promoting trade-enhancing improvements in customs administration and tariff reform;
- promoting simplified laws and regulations on foreign investment;
- promoting competition, control of monopolies, and protection of consumer rights;
- helping to establish the legal framework and conditions for a private housing market; and
- helping to remove environment-related barriers to investment, by promoting a greater reliance on market-based, incentive-oriented environmental management policies, use of environmental audits and government indemnification to reduce new-investor liability risks, and simplified environmental compliance procedures.

Assistance to firms may be provided directly or channeled through business service organizations. Such assistance includes the following:

- establishing and strengthening business development centers, producer and trade associations, small-business incubator facilities, management consulting and training organizations, etc.;
- facilitating small and medium-sized enterprise development;
- technical assistance, training and equipment for improved agricultural production, processing and marketing, including farmer-to-farmer assistance;
- enterprise fund assistance provided directly to firms, including equity investments, credit, investment insurance, etc.;
- Eurasia Foundation small grants in support of business education, management training, agribusiness promotion, small and medium-sized enterprise development, defense conversion, etc.
- strengthening the capabilities of private land developers, housing contractors, and realtors;
- assistance for condominium development and management; and
- assistance to individual firms in the areas of environmental audits, cost-effective compliance with environmental regulations, and waste recycling.

Progress Made in FY 2000

This strategic objective has the broadest scope of any of USAID's strategic objectives for the NIS, with activities in all of the NIS countries except Belarus, where USAID is supporting private enterprise development activities under its citizen participation initiatives. This strategic objective includes fostering the policy reforms, legislation and regulatory actions necessary to create an enabling environment for private enterprise; providing assistance, including finance capital, to enterprises to help them improve their productivity and competitiveness; and creating and supporting indigenous organizations that furnish business services.

Policy, Legal and Regulatory Reform Programs

In FY 2000, there continues to be widespread variations in rates of progress among those NIS countries in which USAID was working on commercial legal and institutional reform. While overall progress has been made in strengthening the commercial law environment throughout the region, newly enacted laws are in many cases poorly implemented and unevenly enforced. This implementation and enforcement gap has major ramifications. It deters would-be entrepreneurs and foreign enterprises from making investments in the NIS economies. For example, Ukraine has a well-regarded legal framework to encourage foreign investment, but comes in last in the NIS in terms of per capita foreign direct investment, due to inconsistent interpretation of laws, haphazard

enforcement of judicial decisions, and corruption—all of which are problems that exist to one degree or another in the other NIS countries.

Central Asia: FY 2000 saw further differentiation among Central Asian countries in the area of commercial, legal and institutional reform. A framework for commercial law is largely in place in Kazakhstan and Kyrgyzstan. Kazakhstan continues to make progress in its accession to the WTO, while Kyrgyzstan now has a firm constitutional and legal basis for private land ownership and is a member of the WTO. These countries now need to move forward with the much more difficult process of implementing commercial laws at the local level, a major focus of USAID's support. Kazakhstan and Kyrgyzstan seem willing to do so. Tajikistan has begun serious commercial, legal and institutional reform. It enacted a new civil code in early FY 2000. It also began to develop a new constitutionally mandated Council of Justice to adjudicate commercial cases, and initiated a process of judicial attestation (examinations). In contrast, Uzbekistan and Turkmenistan provide little encouragement to private commercial activity, with no positive movement to improve the policy/legal environment.

Georgia: The aftermath of the Russian financial crisis is still undermining what was Georgia's positive growth until 1998. Georgia's near-term economic growth prospects have been clouded by investor concerns that Georgia is a high-risk country. These concerns have limited foreign direct investment and are contributing to high real domestic interest rates, the lack of confidence in the commercial banks, corruption and high tax rates. In addition, the government still needs to improve tax collection to restore its ability to provide essential services to reduce fiscal imbalances. Serious challenges remain. For example, other than in the energy sector, the economy continues to perform poorly, with an estimated FY 2000 GDP growth rate of only three percent. The education and health sectors experienced their third consecutive year of negative GDP growth. Privatization has occurred in the energy sector, and the legal and regulatory framework for supporting the energy privatization has been put in place. This should be accompanied by measures to improve the investment climate by combating corruption and by strengthening the judiciary and tax administration. Full international accounting and auditing standards (IAS) have been adopted. Some enterprises' accounting practices have been converted, and 600 accountants have been trained, who have created a self-regulating organization (SRO), but one that will not be viable unless it receives further support. Further consolidation of the banking sector will be necessary to strengthen confidence and to increase financial intermediation. Notwithstanding a second year of acknowledged poor performance in the execution of fiscal policy, inflation has been held at 11 percent due largely to restrictive monetary policies. Despite this overall poor performance, Georgia was accepted into the WTO.

Armenia: Armenia's current account deficit remains high. Reducing the budget deficit, promoting private savings and improving export competitiveness are essential to reducing external imbalances. The government continues to rely heavily on external financing for its budget. Improvement in tax collection and the reform of loss making utilities are necessary for improving the fiscal imbalance. Cumbersome licensing procedures, non-transparent regulation and weaknesses in financial intermediation impede investment and call for accelerated institutional reform. Several internal factors including parliamentary elections and political assassinations stalled the structural reform process that resulted in disappointing progress in privatization, capital markets development and the registration/sale of property. This situation is exacerbated by rampant corruption, and the general ineffectiveness of government institutions in establishing an environment that will facilitate private-sector growth. Full IAS have been adopted. Some enterprises' accounting practices have been converted, and 300 accountants have been trained. A self-regulating organization (SRO) has been created, but is not viable without further support.

Russia: Now that a new president has been elected and is in place, the design and adoption of a new program of structural and institutional reforms is a high priority for Russia. Early and credible moves on reforming state institutions, including public administration, the judiciary and inter-governmental relationships are expected to strengthen the government's policy implementation capacity. Creating a level playing field for all market participants and reducing further arrears and non-monetary payments are the main preconditions for improvements in the investment climate and sustainable growth. Accounting reform in Russia has made little progress due to the anti-reform posture of Russian Government, the highly fragmented Russian accounting profession, and lack of donor funding.

Ukraine: The government's privatization program aims to promote the sales of stakes in large industrial firms and public utilities to strategic investors. Further deregulation and a reduction in the tax burden are required to

promote the growth of the new private sector, especially SMEs within the formal economy, and the banking sector needs strengthening to increase the supply of finance to support investment and output recovery. National accounting standards based on IAS have been adopted, and the conversion of some enterprises to the new accounting practices has occurred. About 200 accountants have been trained. A strong SRO with 2,000 members has been developed.

Moldova: Progress needs to be made in privatizing the wine and tobacco industries in order to maintain the impetus for market reform, and to ensure essential external funding from international financial institutions. These "strategic" privatizations caused domestic political controversy in FY 2000, but important progress was made at the end of the year and early in 2001. Building on the successful privatization of some power distribution companies, further privatization in the energy and telecommunication sectors should remain a priority and considerable challenges in agricultural reform remain. Special efforts must continue in the break-up of remaining collective farms land privatization and the development of a land market. This is the most successful accounting reform activity in the NIS. National accounting standards based on IAS have been adopted, as have International Auditing Standards. Most enterprises have converted to the new accounting practices. A total of 1,500 accountants and 80 auditors have been trained. A strong self-regulating organization (SRO) with 1,700 members has been developed. A partnership between two higher educational institutions in Moldova and the U.S. has been created. Moldova today stands out at the forefront of accounting reform in Eurasia in all areas, on par with Kazakhstan. Its accounting reform is also ahead of reform in other sectors, especially capital market and banking. National Accounting and Auditing Standards based on IAS or the International Standards on Audits (ISA) have been adopted, providing sufficient legal and regulatory framework allowing implementation of both standards. Thousands of accountants have been trained in NAS and an adequate number of auditors are being trained in ISA. Harmonization of book and tax accounting facilitated conversion of enterprise bookkeeping practices to NAS. An accounting and audit SRO, the Association of Professional Accountants and Auditors of Moldova (known as ACAP) has become a predominant force driving continued accounting reform in Moldova. A new accounting curriculum is in place at the Academy of Economic Studies of Moldova (ASEM), a reputable institution of higher education. While there are continuing needs for support in auditing, ASEM curriculum reform, and ACAP sustainability, USAID's successful accounting reform activity has helped put in place the basic infrastructure essential for achieving all of the accounting reform goals. Accounting reform focuses on external reporting and is driven by needs for transparent capital markets and a tool for sound lending decisions. However, the capital market in Moldova is not vibrant and credits are not easily available, caused by other factors well articulated in various strategy documents rather than lack of accounting. As such, accounting reform in Moldova is at the crossroad of being redirected to support improving management skills of Moldovan enterprises from accumulating numbers for investors or lenders. USAID plans to focus on how to utilize the financial information for internal management purposes, with the aim of improving operational efficiency of Moldovan enterprises in agricultural, energy, and other industrial sectors.

USAID has learned a great deal about business education/training and association development from its successful accounting reform activity in Moldova. In addition to the redirection of accounting reform toward improving internal managerial accounting, enterprise managers still need access to basic business education beyond accounting, in management, marketing, finance, and e-commerce. In light of the vast need for general business education and the success of accounting training and support to ACAP, USAID should expand into more general business education to reach a wider base of entrepreneurs and business managers across the various sectors. The new accounting reform activity toward general business education meshes well with USAID development strategies for Moldova's agricultural, SME, and energy sectors.

Business Development Programs

Central Asia: In Central Asia, micro-enterprises and small to medium-sized enterprises (SMEs) continue to be an important target of USAID business development assistance. In Kyrgyzstan, USAID has supported a micro-lending project that has provided over \$19.79 million in loans, with a portfolio of \$2.1 million provided to over 18,500 clients at the end of FY 2000. In Kazakhstan, ADCI/VOCA has provided \$3.3 million in loans, with an outstanding portfolio of \$660,000 in loans to 3,300 micro-entrepreneurs. The Central Asian - American Enterprise Fund (CAAEF), which promotes the creation of small and medium-sized business in Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, has to date made \$29 million in small and medium-sized loans, of which \$14 million has been repaid. The CAAEF invested an additional \$3.6 million in micro-lending programs in Kazakhstan and Kyrgyzstan.

Caucasus: In FY 1999, USAID business development programs in the Caucasus region also emphasized micro-enterprises and SMEs. In Armenia, the Eurasia Foundation and Shorebank, under the Trans-Caucasus Enterprise Fund, provided approximately \$2,000,000 to SMEs. FINCA, also under the Trans-Caucasus Enterprise Fund, extended loans to over 1,300 micro-entrepreneurs. In Georgia, the Trans-Caucasus Small and Micro Loan Program has begun disbursing loans, with an average loan size of \$300. In Azerbaijan, 2,895 clients received loans totaling more than \$600,000 under this program, although program operations were suspended in mid-1999 pending the resolution of taxation issues. In Armenia, more than 400 clients received loans totaling over \$46,000 under this program, with an average loan size of \$110. In addition, USAID complemented its financial sector initiatives with non-financial enterprise development efforts such as training and networking.

Russia: In August 1999, the Ministry of Anti-Monopoly Policy and Support of Entrepreneurship and the U.S. Government signed a revised action plan under the auspices of the Small Business Working Group of the U.S.-Russia Joint Commission on Economic and Technical Cooperation. In the framework of the Action Plan, USAID provided advice on improving the legislative basis for entrepreneurial development in Russia, sponsored a conference addressing regional aspects of entrepreneurial development, and provided business training. USAID will continue to support the Ministry's efforts to fulfill the action plan. As of October 31, 2000, The U.S.-Russia Investment Fund (TUSRIF) had funded a cumulative total of \$52 million in loans and mortgages to 1,880 small businesses and individuals. Meanwhile, direct financing of \$121 million has been made to 31 firms and \$32 million for its financial services program. USAID has also provided \$35 million in funding to the EBRD's Russian Small Business Fund (RSBF), which has provided 39,000 loans to small and micro-enterprises through selected Russian commercial banks. USAID also provided \$20 million to the Lower Volga Regional Venture Fund (LVRVF), which supports newly privatized enterprises. The USAID-supported "Mobilizing Agricultural Credit" Program provided capital to eight Russian farm cooperatives supporting private farms. The Program for the Revitalization of Agriculture through Regional Investment (PRARI) saw positive developments in policy reform at the *oblast* (regional) level and facilitated U.S. direct investment in Russian agricultural processing enterprises. USAID also continued to support business training for entrepreneurs, as well as various kinds of technical assistance to individual enterprises and 114 business support institutions in more than 30 regions throughout Russia.

Western NIS: During the past year, USAID's Regional Mission in Kiev has consolidated a number of existing SME development programs in order to achieve greater synergies among activities and to capitalize on lessons learned during the past five years of technical assistance. The Mission's flagship regional SME development project, BIZPRO, was designed and awarded and will commence implementation in early FY 2001. This project includes three main components dealing with business skills development, SME policy reform and support to NGO-run microfinance institutions. All components will be addressed in Ukraine. USAID's programs in Moldova and Belarus will buy into specific project elements relevant to those countries. Pilot programs to support SME development through a system of vouchers and work orders were implemented in FY 2000 by the NewBizNet project and achieved a great degree of success. These programs will be enhanced under the BIZPRO project in order to develop the capacity of indigenous business service organizations to provide services to SMEs. Two extensive, national surveys of enterprises and households in Ukraine and Moldova financed by USAID resulted in comprehensive reports on the demographics of SMEs in Ukraine and Moldova. For the first time, accurate and statistically valid information was available for the government and donors to better understand the SME sector. Periodic updates under BIZPRO will provide important information on the dynamics of the sector and the impact of policy and regulatory changes by the government, as well as the impact of donor and other business support efforts. A Policy Impact Monitoring System (PIMS) was established by the NewBizNet Project to monitor the impact of policy changes on SMEs and to provide a mechanism for regular feedback to government agencies from SMEs and business associations. This activity will be continued under BIZPRO.

The development of better-functioning credit mechanisms for SMEs has also been a focus of USAID assistance over the past year. The EBRD Microcredit Program, with technical assistance financed by USAID, the EU and the German assistance program, increased loan numbers in the past year and now averages 150 loans per month ranging from \$1,500 to \$35,000 through five banks in different regions of Ukraine. It currently has a portfolio of over 1,000 loans averaging approximately \$5,000 per loan. USAID will also finance a pilot microcredit program in Ukraine through the Western NIS Enterprise Fund to replicate a highly successful microcredit program in Poland. Fundusz Mikro, a Polish NGO that has provided over 30,000 micro-loans in Poland will utilize their regional experience to establish a similar program in Ukraine. U.S. volunteer business executives continue to be financed by USAID through the Alliance, a consortium of four business volunteer

organizations that provided 118 volunteers to provide technical assistance to small and medium enterprises and business service organizations in Ukraine in FY 2000. A total of 40 Ukrainian university-level institutions are participating in the Business Management Education Program. This project utilizes U.S. and Polish educators to assist Ukrainian educators to upgrade the business curricula of their institutions and to learn from the experience of U.S. and Polish universities through study tours, conferences, seminars and case studies. A Junior Achievement program funded by USAID supports economic education for high school children and collaborates with Peace Corps in over 200 Ukrainian secondary schools throughout the country. In addition, a network of five Women's Business Centers in various regions of Ukraine is providing business skills training and credit to women to help them start new small businesses. USAID has financed support to SMEs in Belarus through the IFC to assist small and micro-entrepreneurs to deal with the difficult legal and policy environment for enterprises there.

Major Contractors and Grantees

Major implementing partners under this strategic objective include the European Bank for Reconstruction and Development (EBRD), Development Alternative Inc. (DAI), University of Minnesota, Fundusz Mikro, International Finance Corporation, Booz-Allen and Hamilton, Associates in Rural Development(ARD)/Checchi, the University of Maryland's Institutional Reform and the Informal Sector (IRIS), Deloitte and Touche, the American Bar Association's Central and East European Law Initiative (ABA/CEELI), the Foundation for International Community Assistance (FINCA), Shorebank Advisory Services (SAS), the Eurasia Foundation, the International Executive Service Corps (IESC), Sibley International, Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance (ACDI/VOCA), the Citizens Democracy Corps (CDC), and the MBA Enterprise Corps. USAID is closely coordinating its activities with other U.S. Government agencies providing assistance in this area, including the U.S. Federal Trade Commission (FTC), the U.S. Department of Justice (DOJ), and the U.S. Commerce Department's Commercial Law Development Program (CLDP).

STRATEGIC OBJECTIVE 1.4: A more competitive and market-responsive private financial sector

This objective seeks to improve the private sector's access to capital through development of basic infrastructure—the building blocks of the financial system. By improving the soundness and stability of the financial system, public confidence can begin to grow. This, in turn, could foster a more important role for the financial system in mobilizing society's savings, and in financing the most productive investments according to market-pricing criteria. Representative activities include:

- Strengthening central bank functions and regulatory oversight of commercial banking
- Developing regulatory techniques for problem bank rehabilitation and/or liquidation
- Fortifying the enabling environment by strengthening the legislative and regulatory framework
- Promoting the establishment of strong, effective and fair securities regulatory entities
- Creating liquid and transparent secondary financial markets
- Developing efficient post-trade facilities to fortify liquidity of securities and funds
- Promoting good corporate governance through full and fair disclosure
- Developing financial instruments to support credit expansion to small- and medium sized businesses, local governments, housing and agriculture.

Progress Made in FY 2000

The overall economic environment for the financial sector continued to improve this year following the acute problems many countries experienced for an extended period in the wake of the August 1998 Russian crisis. Notwithstanding this improvement, the financial sector in the former Soviet republics, almost without exception, are fragile. USAID's financial sector development program has concentrated on developing the financial infrastructure, the basic building blocks of the system. History has revealed that success in building an infrastructure commensurate with the existing conditions in each country requires a long-term view.

When market discipline is virtually nonexistent and when owners/managers of banks are either unable or unwilling to exercise prudent authority over transactions, the task of ensuring the safety and soundness of the banking system falls inordinately on the shoulders of the government's bank supervisory authority. And, when owners/managers of enterprises are unwilling or unable to operate their companies on market based principles,

the task of ensuring that potential investors have access to adequate financial information, prepared using internationally accepted principles, falls on the shoulders of the securities regulator. There are two necessary corollaries for developing the efficacy of financial sector regulators. The first is the development of a legislative and regulatory structure, which provides the necessary authority for the supervisors to take enforcement actions against recalcitrant banks and enterprises. The second is the development of sound information exchanges through adherence to International Accounting Standards to provide government supervisors and bank and enterprise managers/owners with the financial data, which underpins effective risk management.

Banking

Banks' business lending opportunities were marginally improved, because of faster economic growth for most countries. The stabilization of exchange rates, and tighter fiscal policy gave authorities in many countries too, further scope to loosen monetary policy from the very tight stance in the aftermath of the Russian crisis, which had continued well into 1999. This, in turn gave banks of the region more flexibility in expanding lending. The upsurge of Russian import growth also helped spur business demand for finance in both Russia and the many former Soviet countries still heavily dependent on Russian trade.

Government political directives to banks still play an important role in credit allocation, and insider lending is rife. There also exists in many countries a large overhang of non-performing loans. Banks, by and large, are marginalized. Bank lending in this region accounts for less than 20 percent of GDP (compared to roughly 50 percent in the Northern Tier countries of Central and Eastern Europe and well over 100 percent in industrial countries). The public does not have confidence in the banking system or the currency. The deposit base is small, basically held for transaction purposes, and largely denominated in foreign currencies.

In 2000, USAID had bank infrastructure development programs in eight NIS countries: Russia, Ukraine, Moldova, Georgia, Armenia, Kazakhstan, Kyrgyzstan and Uzbekistan. These countries made varying degrees of progress in rationalizing and consolidating their banking sectors, as summarized below:

Russia: Russia's banking sector technical assistance programs began in the early 1990s and have been limited in scope. A key assumption prior to providing technical assistance to Russia was that only limited, short-term assistance would be needed to modernize the banking system. However, it became apparent that, like other NIS countries, Russia's banking sector suffered from a lack of adequate legal and regulatory framework, lax banking supervision, and a lack of standardized reporting criteria (International Accounting Standards). These problems were highlighted during the financial crisis of 1998. The number of banks subsequently declined steadily from over 2,500 in 1998 to around 1,300 in 2000. This type of consolidation in the banking sector is needed to strengthen the aggregate capital level in the sector. However, small undercapitalized, politically powerful banks are still allowed to exist without penalty. After 1998, banking reform projects halted in light of a clear lack of progress, due partly to the Russian Government's unwillingness to make difficult decisions to institute appropriate laws and carry out enforcement actions. USAID has initiated targeted economic reform programs to address some of the weaknesses apparent in the Russian Banking System.

Currently active USAID projects in the banking sector include a program to promote a more transparent accounting system within the Central Bank of Russia (CBR) and among a small pilot group of market-oriented banks. With noted progress to date, this effort to standardize the reporting criteria to meet IAS accounting standards will continue into 2001. This modest effort is designed to improve the financial transparency at the CBR and within the banking sector, but there remain a vast number of banks that still abide by opaque, accounting methodologies, propagating insufficient financial disclosure and staving off the return of foreign investment. Slated to begin in 2001 is a discrete USAID technical assistance program designed to strengthen the CBR's banking supervision process. This activity, coupled with the ongoing efforts of the Financial Services Volunteer Corps (FSVC), will provide assistance in helping to modernize the banking operations and to improve the regulatory oversight of the CBR. Through the continuing FSVC grant, high-level U.S. banking executives and senior U.S. regulatory personnel help train and advise both bankers and the CBR in such technical banking areas as risk management, asset resolution, corporate governance, mortgage lending, and asset/ liability management. FSVC technical assistance also helps regulators and bankers design appropriate policies and oversight procedures. Methods and practices discussed in the training sessions have been implemented in some regional banks. Specifically, a regional bank used the workout procedures discussed in one of the FSVC training sessions, which ultimately helped the bank work out a non-performing loan and recover the entire loan (\$72,000) from a previously delinquent borrower. The Agency for Restructuring Credit Organizations (ARCO)

was designed to restructure or liquidate insolvent banks. The U.S. Department of the Treasury, another of USAID's partners, is providing technical assistance to the ARCO. However, ARCO has proven only marginally successful in rehabilitating insolvent banks due to an absence of a solid legal framework for asset resolution and the lack of support from the court system in upholding the legal legitimacy of the resolution process. To succeed in developing a market-based banking system, Russia must now distance itself from its prevailing statist ideology. Part of this separation requires the Russian Government and the CBR to make difficult decisions and administer politically unpopular enforcement actions in the banking sector thus taking advantage of donor efforts much more fully than in the past.

Central Asian Republics: Since the 1996 inception of the U.S. Government's assistance programs in the five Central Asian countries, only three countries have active banking-sector projects: Kazakhstan, Kyrgyzstan and Uzbekistan. These projects concentrate on building commensurate banking infrastructures, primarily focusing on strengthening the banking legal and regulatory framework in each country. Each of these countries is progressing at different stages of financial institution development and at different levels of legal and regulatory reform. Consequently, they operate at different levels of market efficiency. Of the three active programs, Kazakhstan has made the most progress in taking full advantage of USAID's technical assistance to develop an efficient market-based banking sector and to strengthen its banking supervisory capacity at the National Bank of Kazakhstan (NBK). The comprehensive consolidated banking law, one of the first in the region, is proceeding through the Kazakhstani Parliament. This law is designed to consolidate the oversight of the financial sector and will place Kazakhstan on the cutting edge of financial sector reforms. Current banking-sector technical support includes programs to facilitate small/medium-sized enterprise lending through the local banks and support of the NBK's efforts to implement consolidated banking supervision in the financial sector. Since 1997, USAID's technical support to the National Bank of the Kyrgyz Republic (NBKR) has focused exclusively on the conversion of the NBKR to International Accounting Standards (IAS) as well as on the conversion of all commercial banks to IAS. After approval and partial implementation of the basic IAS-based standards and practices in the banking sector in 2000, this program has been augmented with another to help strengthen the NBKR's banking supervisory capacity. Reforms have been made in the NBKR's supervisory process, albeit slowly. With on-going technical assistance it is anticipated that NBKR's supervisory process will improve. In contrast, Uzbekistan's banking system is the least developed despite USAID's efforts over the past three years. This is due primarily to the Uzbek Government's unwillingness to: (1) make the necessary reforms in the exchange rate regime, (2) cease directed lending to failing enterprises through its state owned banks, and (3) consistently adhere to established laws and international standards. Notwithstanding this, USAID's efforts to strengthen the supervisory function through the Central Bank of Uzbekistan (CBU) has shown measurable progress. However, a continued resistance by the Uzbek Government to fully enact the necessary economic structural reforms may limit donor participation to only maintenance of progress gained to date, instead of advancing to the next stages of economic reform. The political will to make difficult decisions to enact banking sector reforms has led each country along different paths toward a market efficient system. The challenge remains for the Central Asian governments to take full advantage of the USAID economic reform programs so that effective and efficient banking infrastructures emerge.

Ukraine and Moldova: Both countries were among the earliest recipients of USAID technical assistance for banking-sector infrastructure development. Moldova, during the mid-1990s made significant attempts to put its banking sector on a sounder footing. After a period of both difficult economic circumstances and uneven commitment to reform, the National Bank of Moldova (NBM) is again seemingly pushing forward the reform agenda. In particular, USAID this past year has played an active role in helping the NBM develop more sophisticated planning for dealing with problem banks. USAID's assistance to Moldova's banking sector development in accounting reform and off-site bank supervision will end in 2000. Support for bank supervision will continue, focused on-site supervision, which still needs substantial upgrading. As a result of USAID assistance, the NBM now has a well-functioning, uniform bank reporting system that is the foundation for western off-site banking supervision. Ukraine has not been a fast track regional performer in banking sector reform. Although the NBU bank supervision has made some progress, there is still substantial outside political pressure on the NBU to exercise inappropriate forbearance. As in Moldova, the difficult economic environment in Ukraine has hampered banking reform efforts. Ukraine has been a particular laggard in restructuring the behemoth former state-banks. This past year, however, USAID placed particular effort into beginning the liquidation process in one clearly insolvent bank. USAID has worked closely with top management at the NBU in securing government support to finally begin this process. More generally, after six years of intensive support USAID is beginning to scale down its assistance to the Ukrainian-banking sector. In particular support for accounting reform and a bank training facility are ending in 2000. Approximately five thousand Ukrainian

bankers attended the typically week-long courses at the bank training center which now continues unassisted by USAID. Bank supervision work will continue, albeit at a lower level, with emphasis on still remaining weaknesses in problem bank work and on-site supervision.

Caucasus: During the mid-1990s both Armenia and Georgia made some modest progress in putting their banking sectors on a sounder footing. The number of banks was dramatically reduced; minimum capital levels increased and former state banks were nominally privatized. Nevertheless, in the current difficult economic situation, banking sectors in both countries are highly unstable and lending opportunities sharply circumscribed. USAID has had banking infrastructure programs in both countries for only a year. Both programs are focusing on improving the efficacy of central bank supervision, the legal and regulatory structure and the quality of banks' financial reporting to the central bank. In Georgia this past year, a priority of the USAID assistance was to develop both the analytic and the judgmental skills for on-site inspections, which are still very much mired in the old Soviet style. Georgia is also a laggard in the region in the conversion to international accounting standards (IAS). USAID brought an experienced central and commercial bank accounting to the National Bank of Georgia Accounting Department to help organize this effort, which will be launched January 1, 2001. Similarly, in Armenia, a focus of USAID assistance this past year has been on honing the on-site inspection skills of the Central Bank of Armenia on-site inspectors, who still depend heavily on ratio analysis and monitoring for compliance rather than looking ahead and anticipating difficulties. USAID also developed a policy manual for supervision to put an analytic framework in place of ad hoc decision making. During 2000, the objective of the USAID programs in these two countries is to develop some basic tools for positioning the central bank to take firm actions against recalcitrant banks. During 2001, the resolve of the central banks will be tested.

Capital Markets

Capital market infrastructure continued to develop at varying speeds throughout the region. USAID has no capital market development efforts in Uzbekistan, Turkmenistan, Tajikistan, Belarus or Azerbaijan. In the other NIS countries, the programs are ongoing or are close to ending, with results along a continuum from Armenia to Kazakhstan. Most countries have the basic securities market infrastructure in place (including a trading mechanism, pre- and post-trade settlement facilities, and financial intermediaries) but only in one country in the region, Kazakhstan, is capital formation taking place. That is attributed to development efforts in private pension reform, the only major program of that nature in the region. Neither are many of the countries securities markets operating in accordance with international standards. Enterprise managers have not developed the skills necessary to manage their companies on a market-driven basis and financial information is not universally made available or reported according to internationally accepted principles. USAID's efforts have focused on developing trading mechanisms and other capital markets infrastructure institutions and sound regulatory environments that are flexible enough to encourage financial sector growth but strong enough to enforce laws that have been enacted. It is also critically important to develop commercially viable market institutions that are able to withstand the necessary lead times prior to participating in a capital formation role similar to Western markets.

Caucasus: In Georgia and Armenia, capital markets activities are parts of comprehensive economic reform programs that have included fiscal and accounting reform, enterprise and land privatization and banking-sector reform. While there has been progress in both countries on parts of the comprehensive programs, in neither country is the development of the capital market close to providing the needed capital raising function. Securities laws have been passed and regulators established. More work is needed though, before the regulators have in place enforcement powers and an adequate, professionally trained organization and enterprises and market participants begin to function in an open and transparent fashion. A trading mechanism is in place in Georgia and is being developed in Armenia; however, gray markets continue to exist due to lack of enforcement of securities laws. Financial intermediaries are developing, but do not yet have, the skills necessary to take ownership of the capital formation process from either the supply or demand side. Both programs have been in existence for 2½ to three years, and each requires a minimum two years of additional assistance. In Azerbaijan, other donors have begun efforts to develop open and transparent capital markets. The EBRD issued a request for proposals in June for an advisor to work with the securities regulator to improve the laws and legal institutions governing the securities market in order to bring them into line with international practice.

Ukraine: Ukraine's capital-markets climate remains affected by constraints in that country's macroeconomic policy framework and its relations with the IMF under its Extended Fund Facility. It is possible, however, that

new donor strategies and a USAID financial sector strategy will be able to be implemented independently of the IMF's assistance. Yet, a lack of enforcement in corporate governance, and distorted accounting standards and reporting of enterprise transactions are inhibiting factors in attracting foreign investment to Ukraine. Despite the economic and political impediments to implementing financial sector transactions in Ukraine, a notable capital markets legal and regulatory framework and infrastructure exists as a result of USAID and Ukrainian efforts to work together in this sector since 1994. Once a trustworthy effort for increasing the pace of financial sector reform is established in Ukraine, financial sector assistance strategies will be ready for implementation. To its credit, Ukraine has created capital markets infrastructure aimed at market reform: an independent Securities and Stock Market State Commission to regulate a new legal framework; a NASDAQ-type trading system (the PFTS) and a self-sustaining, self regulatory organization of broker dealers; a depository, a healthy investment fund industry; and over 400 private and independent share registrars. Other donors have also implemented corporate governance training in association with the new Joint Stock Company Law aimed at emphasizing enforcement of minority shareholder rights. However, functional capital markets can only mobilize capital for investment in enterprises when transparency is established through independently audited financial statements that are in compliance with internationally accepted accounting principles, and fair dealing of enterprise managers as relates to shareholder rights. The current capital market infrastructure in Ukraine is able to accommodate any future performance by the Ukrainian Government in privatization and corporate governance. The Government of Ukraine has created a Strategy Group on Securities Market Development for Ukraine, which will develop a 10- to 12-page presidential decree that will encompass actions for implementation of a securities-market development program for the period 2001 to 2005. Other future efforts may address non-bank financial institution development that is needed in Ukraine to compensate for the inability of enterprise directors to acquire market capital at reasonable rates and to arrange for leasing and mortgage financing arrangements for citizens. It is also anticipated that Ukraine's interest in strengthening relations and integrating its financial markets with the European Union will help to push future reforms. Thus, there remains cautious optimism for future efforts in Ukraine aimed at enforcing the current capital markets and market reform framework and implementing new financial sector strategies.

Moldova: Between 1993 and 1998, great strides were made in developing the major components of Moldova's capital markets institutional infrastructure. These included the National Securities Commission, the Moldova Stock Exchange, the National Depository, as well as broker/dealer firms, numerous self-regulatory organizations and a quasi-investment fund community, and other professional market participants. During this time, USAID assistance also focussed on establishing a legal and regulatory base in support of these institutions and to serve as a foundation for a sound and transparent operating environment, or corporate governance, vital to the mobilization of capital. While direct technical assistance was significantly curtailed in late 1998, USAID has provided ongoing monitoring and highly focussed legal support to the aforementioned institutions. Market volume and general securities market conditions have been significantly and negatively impacted by many factors, most notably, by prevailing difficulties within the economy. Equally important are many legal and regulatory issues, such as a lack of enforcement authority on the part of the National Securities Commission, off-market trading practices, investment fund loophole transactions and a host of other operating practices that undermine overall confidence in the financial sector. Ongoing challenges and plans for assistance include areas of corporate governance, legal work in custodian, investment and trust management activities, protection of investor rights, review of the draft Civil Code on its tie-in to the securities market, enhancements in the field of self-regulation, and development of new market products.

Belarus: Belarus has seen little structural or capital markets reform since the mid-1990s. President Lukashenko continues to embrace the principles of "market socialism" entailing state intervention in the management of private enterprise. While there is a reform-minded securities commission in Belarus, assistance to this body is constrained by the overriding concerns of providing assistance to the Lukashenko Government. USAID's economic assistance in Belarus has been limited to supporting small-scale municipal privatization and local private-sector business promotion through the International Finance Corporation (IFC). This program was completed this year. It is expected that any future financial sector assistance to Belarus will be channeled through the SME sector.

Russia: Through an agreement with the U.S. Securities and Exchange Commission (SEC), USAID continued to provide limited capital-markets technical assistance and training to the Federal Commission for Securities Markets in Russia (FCSM) in FY 2000. This assistance focused on depository assistance, and inclusion of Russian securities commissioners in SEC regional training workshops on enforcement, disclosure and international securities markets. A team of experts from the Financial Services Volunteer Corps (FSVC), the

SEC, and the U.S. Department of the Treasury conducted a risk management review of the National Depository Center (NDC) in Moscow. This assistance focussed on NDC organization and supervision, procedures and controls for its computer system, internal controls and auditing procedures, financial performance and capital adequacy requirements. The outcome of this assistance was to provide recommendations to the NDC to reduce potential risks in its operations and to develop procedures, controls and policies for NDC members.

Central Asian Republics: In Uzbekistan, Turkmenistan and Tajikistan, the prerequisites for a capital market are not yet in place; therefore USAID is not expending effort at this time in developing capital markets in these three countries. However, Kazakhstan and the Kyrgyz Republic both exhibited the necessary prerequisites for capital market development by 1995. Beginning in 1995, capital markets development programs began in both republics. Both programs were quite successful. Kyrgyzstan now has a functional, financially self-sustaining stock exchange, an independent share depository, multiple share registries, a broker-dealer association, and a capable, independent securities market regulator. Kazakhstan also has a healthy stock & bond exchange, as well as an independent depository, multiple share registries, and an independent, capable securities market regulator. In Kazakhstan, the growing economy coupled with a mandatory, private pension system augur well for Kazakhstan's capital markets. Capital formation is occurring on a scale unprecedented in this region with over \$700 million invested long term in private pension accounts. In the past year, corporate bond issuance has increased from \$67,000 to over \$130 million. Kazakhstan's capital markets are beginning to show promise of providing much needed financial intermediation between investors and the capital needs of growing companies. In FY 2000, based upon the success of these two capital markets programs, USAID was able to fully graduate the Kyrgyz capital markets project, and significantly scale back the program in Kazakhstan.

Major Contractors, Grantees and Partner Agencies

Major contractors under this strategic objective are Financial Markets International; KPMG; International Business and Technical Consultants Inc; the Pragma Corporation; PriceWaterhouseCoopers; and Booz-Allen and Hamilton. Major grantees include Financial Services Volunteer Corps (FSVC), the Foundation for International Community Assistance (FINCA) International Inc. Interagency Agreements exist with the Federal Deposit Insurance Corporation (FDIC), the Securities and Exchange Commission (SEC) and the U.S. Department of the Treasury.

STRATEGIC OBJECTIVE 1.5: A more economically sound and environmentally sustainable energy sector

USAID energy assistance activities encompass electric power/heat sector reform; energy efficiency improvement; oil and gas development, transport and distribution; and nuclear safety.

- developing sound national energy policies and pricing systems;
- improving energy efficiency in industry, building, residential and power/heat systems and reducing environmental emissions;
- restructuring, regulatory reform and the privatization of energy systems, particularly the electric power system;
- increasing safety at Soviet-designed nuclear power plants and developing economic alternatives to continued operation of high-risk plants;
- expanding the energy trade and integration of NIS energy systems with those of Western Europe and international energy markets.

Progress Made in FY 2000

The changes in the international oil market are having a major impact on the region's energy sector, with increased oil prices spurring substantial gas price increases and the major importers struggling to pay for their fuel imports from Russia. The higher oil prices and new discoveries in the Caspian have reinforced oil company interest in the Baku-Ceyhan Main Oil Pipeline. Power/heat sector reforms are continuing and privatization and development of functioning and transparent markets is now a central priority in most countries. The issue of non-payments remains an obstacle to modernization and increased energy efficiency. In addressing this issue, USAID programs are finding opportunities for improved energy efficiency and related environmental improvement. USAID is continuing to support these activities through bilateral efforts, often in close collaboration with the EBRD and World Bank, as well the successful regional network of energy regulatory

agencies. A significant amount of USAID's energy resources continues to support nuclear safety programs, particularly in Ukraine, where the government made a historic decision to close the Chornobyl Plant on December 15. The G-7 and international community at large have committed and pledged over \$1 billion for Chornobyl decommissioning and shelter rehabilitation programs.

Electric Power and Heat Reform

USAID is focusing on strategic privatization of the power distribution companies and on the regulatory and market conditions that will attract strategic investors. Over the past year, efforts have been completed, initiated or planned in Moldova, Georgia, Ukraine, Armenia, and Kazakhstan. Moldova has succeeded with USAID, World Bank and EBRD assistance in privatizing three of its five distribution companies to the Spanish company Union Fenosa, which is making progress in improving payments and service. Union Fenosa is presently in negotiations with the Moldovan Government on the purchase of that country's two remaining distribution companies. Ukraine has launched the two of several scheduled tenders for 20 distribution companies that have yet to be privatized. President Kuchma has authorized the sale of all state shares of these companies to strategic investors. Georgia is continuing to complete the privatization of the distribution companies outside of Tbilisi, which was bought in late 1998 by the U.S. company AES. The Georgian Government has achieved success in privatizing both thermal and hydro generation units. The USAID programs in Georgia and Moldova support the privatization process by furthering regulatory and market development as well as by addressing the needs of poor households in meeting their basic energy needs during the transition process. USAID has provided the respective host governments assistance in designing and funding low-income energy assistance subsidy programs. Armenia is preparing tenders to privatize all four distribution companies as the first step in its efforts to improve the financial condition of the system. USAID together with the World Bank is playing a critical role in this process. Kazakhstan has been slow in privatizing distribution outside of Almaty and several other areas, but under the EBRD Transmission Modernization loan will be accelerating distribution company privatization next year. In June of 2000, USAID sponsored an in-depth Power Privatization Conference that brought together leading investors, investment bankers and international financial institutions, government and regulatory officials to examine in depth the experience to date and the lessons on both strategy and process sides.

USAID has played a leading role among international donors in supporting legal and regulatory development in the power and energy sector. USAID has taken a strategic orientation towards the institutional development of independent energy regulatory agencies. These bodies have made progress despite the constant political attacks and budgetary problems they face. They are at the cutting edge of the fight against corruption in this financially important sector. The regulatory agencies from this region and from Central and Eastern Europe are participating in a Regional Energy Regulatory Network which is supported through the U.S. National Association of Regulatory Utility Commissioners (NARUC). A Constitution for the Energy Regulators Regional Association was signed by 15 energy-regulatory bodies in December in Bucharest to formalize this cooperation.

Energy-Efficiency Improvement

USAID energy-efficiency activities have been concentrated in Ukraine, Armenia and Russia. Other USAID missions are now launching programs. Pilot activities are under way in Georgia, Moldova and Kazakhstan that are improving energy efficiency in schools, hospitals, orphanages and other buildings. In Ukraine, successful programs have been developed in Kiev and Lviv by USAID together with the World Bank and EBRD. These programs address both the improvement of heat production and delivery systems as well as the municipal buildings. They are being replicated in other Ukrainian cities. In Moldova, energy efficiency programs are being implemented as part of a broader strategy to address the needs of the poor and the economic and social impacts of the privatization of the electricity companies. In order to transfer the many lessons from Central and Eastern Europe, the E&E Bureau has expanded its cooperative agreement with the Alliance to Save Energy to expand its presence in the NIS countries. A new MUNEE (Municipal Network for Energy Efficiency) is being developed that will build on past investments in NGOs in Russia, Ukraine, Armenia and Georgia, and address key issues and obstacles to commercial financing and investment in municipal energy efficiency. These issues include subsidies and affordability questions; municipal budget and financial constraints and the role of energy efficiency and energy service company shared-saving efforts; heat company restructuring and privatization; and environmental and emissions reduction potentials.

Oil and Gas Development

The recent increases in oil and gas prices are having a major impact on the countries of the former Soviet Union, both in terms of import requirements and export revenues. The energy dependency and already significant debts of the importers are placing the economies of Moldova, Ukraine, Armenia, Georgia and Kyrgyzstan in even worse shape. Meanwhile the exporters, particularly Russia and Kazakhstan, have already benefited considerably from the higher export earnings and interest from the oil companies in investment in high-cost areas. USAID has continued to support the development of modern, Western legal and regulatory regimes in Kazakhstan, Turkmenistan, Georgia and Ukraine. Ukraine, with USAID assistance through the U.S. Department of Energy, finally passed an acceptable production-sharing law. USAID work on offshore regulatory issues has proven to be very timely given the large new discoveries in the Kashagan field offshore Kazakhstan. In Georgia, the State Oil and Gas Agency is beginning to develop credibility in the management of the upstream resources. The appraisal work of the U.S. company Frontera looks promising and exploratory work in the Black Sea has been initiated in 2000. The development of Georgian indigenous oil and gas could be a significant factor in increasing its independence in the future. Another major factor is of course the progress that was made on the Baku-Ceyhan Main Oil Export Pipeline and the gas and condensate discoveries offshore Azerbaijan. USAID is playing a limited role in supporting the Georgia International Oil Company and the Georgian Government in addressing some of the requirements under the host government agreement with the MEP consortium, in particular the refinement of legislation on eminent domain and work on licensing and permitting systems. USAID is also coordinating with the World Bank, which is developing a credit for support of advisors to the Government on environmental and other important institutional development issues. USAID's Caspian Environmental Partnership Program has helped train Georgians and other Caspian officials in environmental management issues related to pipeline and offshore petroleum production and transport. An oil spill workshop was held in cooperation with U.S. Department of Energy in Georgia, addressing experiences and their application to the Black Sea.

Nuclear Safety

The year 2000 was a landmark year for U.S. Government nuclear safety programs in the region. Ukraine made an historic decision to close the last operating unit at Chornobyl on December 15. The G-7 hosted a second pledging conference in Berlin for the Shelter Program for the destroyed Reactor Number 4, which brought pledges of funding from over 20 countries to over \$700 million. USAID is providing funds to the Shelter Implementation Program managed by the EBRD, as well as to the Nuclear Safety Account and to the U.S. Department of Energy for pre-decommissioning projects and a heat plant that will provide reliable heat to the site following the closure of Unit Number 3. USAID continues to provide funding to both the Department of Energy and the U.S. Nuclear Regulatory Commission for operation and regulatory safety programs in Ukraine, as well as Armenia and Kazakhstan. The United States and the G-7 continue to experience frustrations in dealing with Russia on nuclear safety issues given the delays in Russian efforts to carry out in-depth safety assessments and the policies to extend the life of high-risk, older VVER 440-230 and RBMK reactors.

Major Contractors, Grantees and Partners

Major partners under this strategic objective are the National Association of Regulatory Utility Commissioners, the Alliance to Save Energy, the U.S. Department of Energy, and the U.S. Nuclear Regulatory Commission.

STRATEGIC OBJECTIVE 1.6: Increased environmental management capacity to support sustainable economic growth

Strategic Objective 1.6 continues to evolve as countries graduate and other countries either increase or decrease their environmental management capacity. The SO continues to focus on creating the building blocks for sound environmental management as a crucial component and precursor of sustainable economic development. The objective also continues its twin focus on increasing both public- and private-sector capacity. However, as it has evolved SO 1.6 now focuses completely on the environment and natural resource contribution to economic restructuring and contributes to the goal of fostering the emergence of a competitive, market-oriented economy in the countries in the region. The areas of concern addressed by this SO include pollution prevention and management, industrial waste management, minimizing greenhouse gas emissions, and minimizing deforestation and other threats to biodiversity. Some program successes that illustrate many of these areas are discussed below.

Progress Made in FY 2000

Implementation of the Grants, and Trade and Investment Components of EcoLinks

As EcoLinks begins its third year of operation, USAID has identified a number of significant successes. These include a vibrant grants program that has provided more than 80 challenge grants (up to \$50,000 in value) and 120 travel grants (up to \$5,000 in value). The first cycle challenge grants are now being closed out and it appears that they were successful in both transferring technology to the region and in generating business opportunities for U.S. environmental firms. On the trade and investment side, the original five Technical Representatives will have grown to seven (covering nine countries, including Kazakhstan) by January 2001. They have begun to produce significant business. There are many smaller successes ranging in value from \$25,000 to \$250,000 and several larger successes in the range of \$1-10 million. As the Technical Representatives mature and as more grantees are able to convert their experience into bankable deals, these numbers will grow at an even faster pace.

Support of Transnational Cooperation through Non-Governmental Organizations

Several USAID Missions supported NGO and contractors work in this area. Two examples of successes are the development of a transnational workshop on constructive working relationships between NGOs and oil companies in the Caspian Sea. The workshop was held in the fourth quarter and attended by approximately 40 NGO representatives from the Caspian area. During the workshop, the attendees worked with representatives from several international NGOs that were experienced in working with oil companies. An added attraction of this workshop was the attendance of several oil company representatives. The attendees were able to discuss various strategies for working with these companies and had a chance to begin to articulate their own individual strategy. A second example is support for several list serves in the region in order to facilitate communication of environmental issues on the Internet. These list serves have several hundred participants and generate numerous announcements and questions. The ability to use the Internet to ask questions often frees NGOs and other actors from having to re-perform research that has been done elsewhere. They also act to provide early warning on issues and often provide leads on funding opportunities for these organizations and individuals.

Caspian Permit and Environmental Impact Assessment Workshop

The U.S. Energy Association (USEA) is implementing regulatory partnerships addressing Caspian oil and gas regulatory issues. USEA held a workshop in Kazakhstan in August 2000 with local Kazakhstani regulators on permitting and the environmental impact assessment (EIA) process. The workshop generated a lot of excitement and solidified the trust the Kazakhstani partners now have in their partners from regulatory agencies in Alabama and Pennsylvania.

Central Asian Republics Energy and Environment Project

This new regional project started in the last quarter of FY 2000 and will allow USAID Missions in the region to pursue any type of environmental work quickly, as needs arise.

Greenhouse Gas Emissions Reduction Initiative (GGERI)

The Greenhouse Gas Emissions Reduction Initiative (GGERI) was launched in Kazakhstan in January 2000. Assistance is being provided to the national Climate Change Coordination Center on developing the technical skills and procedures needed for participation in international carbon credit projects and emissions trading regimes. Project review and approval procedures have been drafted, bilateral cooperation agreements have been developed with European countries and the World Bank, and a pipeline of potential projects has been compiled and reviewed. A manual for project developers is currently being updated. A website with both project opportunities and climate change information will be launched in the near future.

Environmental Compliance Activities

Environmental compliance training was provided to USAID staff in Russia, Ukraine, Moldova, Central Asia, Georgia, Azerbaijan, and Armenia, facilitating the contracting for biodiversity assessments conducted in Armenia, Azerbaijan, Georgia and the USAID Regional Mission in Almaty.

Expected Changes in FY 2001

During the past year, USAID made its limited regional funding go farther by co-financing a number of innovative activities with field missions. We anticipate additional co-financing of activities this year as well. The field requirements on the Bureau Environmental Officer will be lessened as a result of the environmental compliance training discussed above.

Major Contractors and Grantees

Major contractors and grantees under this strategic objective are DevTech Systems, Inc., Abt Associates, Chemonics, the International Institute for Education, the Initiative for Social Action and Renewal in Eurasia (ISAR), and the U.S Energy Association (USEA). In addition, USAID has interagency agreements with the U.S. Departments of Commerce, Agriculture and Energy.

STRATEGIC ASSISTANCE AREA 2: DEMOCRATIC TRANSITION

Goal: To support the transition to transparent and accountable governance in political and economic decision-making.

STRATEGIC OBJECTIVE 2.1: Increased, better informed citizen participation in political and economic decision-making.

This objective encompasses USAID assistance directed towards strengthening systems of democratic representation and open information, developing an informed citizenry, and encouraging citizen participation through effective non-governmental advocacy and community groups. These programs seek to increase citizens' influence on public policy decisions, and improve government oversight. Illustrative activities include:

- Promoting free and fair elections;
- Supporting political party development;
- Supporting the development of independent, responsible media;
- Increasing the breadth, vitality, and impact of civic associations and NGOs concerned with public policy, human rights, service provision, and environmental management; and
- Strengthening independent, representative labor unions.

Progress Made in FY 2000

When the NIS countries gained their independence following the Soviet collapse, civil society was either nascent or non-existent due to both the historical absence of a democratic tradition and the prohibition of basic tenets of democracy, including the right to free expression, the right to organize and advocate, and the right to form independent political parties and hold free and fair elections, under the Soviet regime. Consequently, building a vibrant civil society, in which citizens engage freely in debate and participate in the politics, economics, and social life, has been a critical component of USAID assistance to the region.

In FY 2000, USAID pursued this Strategic Objective in all NIS countries. Ongoing USAID-funded activities continue to move countries towards this objective in FY 2000; however, a great deal of work needs to be done. Ukraine and Russia made more progress in this area than Turkmenistan, Belarus and Uzbekistan in FY 2000.

Political Process: Political party development remains a critical challenge throughout the region, as parties on both the local and national level attempt to organize more effectively and to attract greater levels of participation among citizens. Through USAID assistance, measurable progress has been made in increasing the level of professionalism and expertise of election administrators, resulting in greater transparency in electoral

processes. Permanent, professional, election commissions have created a greater sense of public confidence that elections on all levels are conducted more freely and fairly. Voters have continued to exercise the right to vote despite difficult economic situations existing in a number of countries. In Russia last year, the International Foundation for Election Systems (IFES) provided training to election commissions on the regional level, which helped election officials comply with the election law and to increase their professionalism and technical capabilities. As result, there was a decrease in the number of complaints lodged against election officials. Assistance to the Central Election Commission has been so successful that IFES is phasing out its program and turning over future technical assistance and training activities to its Russian counterpart NGO, the Institute for Election System Development. This organization now has sufficient technical capacity and a market for its services, and is now self-sustaining without U.S. Government assistance.

Independent Media: Despite difficult economic conditions and continuing political harassment, USAID successfully assisted the development of the independent media throughout the NIS in FY 2000.

- **Russia:** USAID supported measures to both strengthen financial viability and increase the availability of information. USAID grantee Internews conducted a series of media advertising support activities in 48 regions of Russia, resulting in the formation of Russian Advertising Federation for the Regions, which will increase the ability of the industry, in particular smaller markets, to attract advertisers. Internews also launched a newsroom computerization program and an Internet-based news exchange network called "InterNovosti", which now unites 164 television stations throughout Russia.
- **Ukraine:** Support for a strong independent media was a priority in FY 2000. Direct grants enabled production teams from cities throughout Ukraine to produce documentaries on important topics such as anti-corruption, the U.S. elections and good governance.
- **Caucasus:** USAID funded a regional news program, which broadcasts stories on a given theme each week from independent television outlets in Georgia, Azerbaijan, and Armenia. The program, aired weekly during prime time in each of the three countries, won a silver medal at an international film festival in Parma, Italy. In Armenia, USAID introduced a print media program to improve the quality and financial viability of independent newspapers and magazines. In Georgia, though media professionalism requires further development, fewer governmental obstacles make the Georgian press the most independent in the South Caucasus.
- **Central Asia:** USAID provided assistance to the independent media during a very challenging year. In Kyrgyzstan, the media came under increased government harassment and pressure in the form of judicial proceedings, tax investigations, raids and interrogations, and interference with programming. In Uzbekistan, two independent television stations were closed as a result of broadcasts critical of the government. Since then, one station has been allowed to reopen. In addition, a number of USAID-supported television broadcasts in Uzbekistan prompted local government action to resolve community problems. In Tajikistan, USAID helped organize the country's first political candidate debates and helped parties and candidates present their political platforms on national television. Such access to national media by opposition parties was unprecedented for Tajikistan and rare in the region.

Non-Governmental Organizations (NGOs): In FY 2000, programs supported by USAID throughout the NIS region continued to strengthen the ability of NGOs to influence public policy decisions, empower citizens to improve their communities, and provide services to vulnerable groups through a combination of grant support, training, and technical assistance. For example, in Kazakhstan, USAID technical assistance helped local NGOs organize an advocacy campaign calling for changes in the Government's draft law on local self-government. As a result of the campaign, the Parliament allowed more time for citizen input on the draft law. In Russia, NGOs supported by USAID submitted 181 expert commentaries to government officials on policy matters over a nine-month period. In Uzbekistan, NGOs are learning to work in partnership with local governments to resolve community problems. In Turkmenistan, where NGOs are still viewed with suspicion by the government, USAID NGO programs focus on less confrontational issues, such as educating the public and the government about the role of NGOs.

USAID programs have also been instrumental in improving the legal environment under which NGOs operate. For example, in Tajikistan, USAID grantees directly participated in drafting one of the most advanced NGO laws in the region. Many USAID programs, including those in Russia, Azerbaijan, and Central Asia, also focus on

building a network of resource centers to support local NGOs. Despite this progress, weak economies and the lack of a tradition of local philanthropy continue to make it difficult for NGOs to raise funds from local sources. As a result, the NGO sector remains highly dependent on foreign donor assistance. Building the capacity of grassroots organizations outside of major urban areas also continues to be a significant problem.

Major Contractors and Grantees

Major contractors in this area include: the Initiative for Social Action and Renewal in Eurasia (ISAR), World Learning, Winrock International, Counterpart International, the Eurasia Foundation, Internews, the National Press Institute, the International Research and Exchanges Board (IREX), the International Foundation for Election Systems (IFES), the International Republican Institute (IRI), and the National Democratic Institute for International Affairs (NDI).

STRATEGIC OBJECTIVE 2.2: Legal systems that better support democratic processes and market reforms.

This objective seeks to establish the rule of law; protect civil, political and property rights; and limit arbitrary government action. The fair, objective and consistent rule of law requires an impartial judiciary, professional and honest prosecutors, effective legal representation, and well-defined legal procedures that help ensure uniform and timely enforcement of laws. Representative activities in FY 2000 include the following:

- support for the drafting of laws and implementing regulations that embody democratic norms and procedures;
- programs to strengthen the independence and capacity of the judiciary, and to support more transparent and efficient administration of cases;
- programs to upgrade the capabilities of the legal profession, prosecutors' offices, and bar associations;
- training designed to deepen judges' understanding of commercial law and business principles to support the adjudication of disputes in accordance with new commercial laws;
- programs to help the organizations that enforce court decisions develop procedures and practices to improve the efficient and uniform execution of decisions;
- support for increased understanding of reforms and legal rights by legal and law enforcement professionals, business communities and the general public; and
- programs to help establish organizations and processes that reduce government corruption and human-rights violations.

Progress Made in FY 2000

USAID formally pursued this objective in FY 2000 in four NIS countries: Armenia, Georgia, Russia and Ukraine, although USAID also supported rule-of-law projects at a more modest level in other NIS countries. Of the four countries, Ukraine has been the slowest to establish a legal system that better supports democratic processes and free-market reform. Ukraine continues to lack a law on the judiciary—a law necessary for progress on important additional legislation, including a civil code, civil procedure code and criminal procedure code. In comparison, Georgia, Russia and Armenia have made greater progress in continuing and consolidating legal reforms. However, even these three countries have been slow to deepen and consolidate legal reform, particularly the implementation and enforcement of existing laws. Democratic development during FY 2000 in Armenia was further limited by the October assassinations and the resulting political instability within the Government of Armenia. Corruption in all four countries remains systemic at all levels of society, with deleterious effects on the economy as well as corrosive effects on public confidence in government institutions. In addition to corruption, critical obstacles to furthering the rule of law in all four countries include inadequate institutional capacity and insufficient commitment of government resources to this area. Ultimately, the effectiveness of legal reform efforts in these countries depends on the will of their institutions and citizens to adhere to concepts of fairness, transparency, accountability and legal predictability. With the recognition that developing legal systems that ensure the rule of law in these countries is a long-term, generational process, USAID continues to channel assistance towards substantive areas and governmental and institutional actors where assistance is most likely to make a difference. Significant progress was made in several areas in FY 2000.

Armenia: Obstacles to the rule of law in Armenia include executive branch influence over the judiciary, judicial hesitancy in asserting independence from the executive branch, uneven enforcement of judicial decisions, corruption at many levels of government, and public cynicism regarding reforms of the legal system. The most pressing human rights need is the development of an independent judiciary capable of reliably protecting citizens from abuse by police and prosecutors. While Armenia has not yet adopted Constitutional amendments removing sources of executive branch influence from the judiciary, Armenia has taken various steps to improve the impartiality of the judicial sector and citizen ability to obtain redress from arbitrary government actions. Among the laws on which USAID has provided assistance, USAID has continued to provide support for an administrative procedures act that would clarify various governmental processes and simplify business and citizen access to government agencies. Although in the past the Government of Armenia has been slow to move this legislation forward, the Ministry of Justice signed a memorandum of understanding that formally commits the Government of Armenia to specific milestones for the development of this law. Such a law would give business much greater certainty when dealing with the government bureaucracy and substantially reduce the scope for corruption in public service. USAID's efforts to increase the ethical and professional standards of the legal profession have also begun to show results. Both the Association of Judges of the Republic of Armenia and the Bar Association of the Republic of Armenia have adopted voluntary ethics codes for their members. USAID is also working with the union of advocates and other lawyers associations to develop ethical standards, promote continuing education, provide services to members, and encourage legal services for the vulnerable. USAID continues to provide training to judges to raise their professional confidence and competence. In coordination with the World Bank, USAID is providing assistance to improve the Court Executors' Service. USAID's FY 2001 assistance will include continued promotion of the rule of law and a vigorous anti-corruption effort in coordination with the Government of Armenia and the international donor community, including the Armenian diaspora.

Georgia: Georgia has made significant progress legislatively, however, its overall implementation of reforms has been slow. Public cynicism, apathy and disillusion with the rhetoric of democratic reform are widespread, but discussions of issues of corruption, human rights and democracy are spirited. Georgia continues to experience significant human rights problems, particularly in the areas of police misconduct and harassment of non-traditional religious groups. Anti-corruption elements continued to be a central element of USAID and other U.S. Government assistance to Georgia during FY 2000. USAID and the U.S. Department of Justice provided administrative assistance to the Anti-Corruption Working Group created by President Shevardnadze, and USAID will provide technical assistance and funding for a public education campaign to the Anti-Corruption Working Group in FY 2001. USAID devoted significant resources toward amending and implementing the General Administrative Code, which includes a Freedom of Information Act and which went into effect on January 1, 2000. Support for the code included technical assistance, a public awareness campaign and an NGO grant program to enhance transparency and accountability within local government. Judicial reform continued in FY 2000 with USAID assistance, including the Council of Justice's administering of two additional merit-based judicial qualification examinations, the first meeting of the Conference of Judges provided for under the Law on Common Courts, and the commencement of active operations by the Judges of Georgia, a voluntary judicial association. The Government of Georgia's frequent delays in paying judges, however, seriously endanger judicial reform and the gains made to date. USAID also assisted NGOs that operated legal clinics providing legal aid and practical experience for law students; the assisted clinics handled 104 cases in FY 2000. Reform for the legal profession continued with further support for the Georgia Young Lawyers Association, which enhances legal professionalism and provides continuing legal education, and USAID assistance for a new law on the bar, which would mandate a qualification examination and provide for attorney discipline. USAID will begin a new rule of law program in FY 2001; assistance to prepare and implement the judicial disciplinary law, a judicial code of ethics and a law on the bar comprise important components of USAID's rule of law and anti-corruption strategy

Russia: Despite political turbulence in the executive branch and poor working conditions in many locations, progress continued in strengthening the Russian judiciary in FY 2000. Support for the judiciary cuts across party lines in Russian politics, and there is political will at the national level to strengthen the court system. Unfortunately, many courts in Russia still depend on local executive power for operating funds, which presents problems for the independence of the judicial branch. However a new legislative framework for judicial independence from the executive branch is in place, under which the Judicial Department of the Supreme Court retained operational control for the administration of courts of general jurisdiction and participated in the development of the courts' budget in FY 2000. A February 1999 law on the financing of the courts now requires the transfer of budget appropriations to the courts, and President Yeltsin raised the pay for judges and other

government employees. USAID has helped the courts to seize the initiative in response to these reforms. In December 1999, the first national conference for judicial administrators was held in Russia, sponsored by the Judicial Department and financed by USAID. It brought together around three hundred judicial system administrators and a number of judges from around Russia and helped the courts of general jurisdiction move farther down the path of self-governance. Subsequent to that conference, in the year 2000, the Judicial Department hired approximately 2,500 judicial administrators around the country. President Putin has publicly suggested increasing funding for the courts by one third, expressed concern over the large number of Russian citizens held in pre-trial detention for long periods of time, and suggested that something be done to assure better representation for criminal defendants. The Bailiffs' Service of the Ministry of Justice, which was authorized by law in 1997, hired more personnel in 1999 to enforce civil judgments and is now prepared to assume court security functions. USAID also continued to fund programs providing training in the application of commercial law for practicing lawyers, as well as education and networking for lawyers and legal officials on a wide range of women's legal issues, including trafficking, domestic violence and discrimination. In addition, USAID provided support for legal education reforms, including clinical legal education, and funded a human-rights monitoring and reporting project that covered 30 regions of Russia. One side effect of this latter project has been to promote cooperation among single-issue human rights advocates across a range of concerns. In addition, the USAID-funded Sakharov Center hosted and conducted numerous human-rights programs in FY 2000.

Ukraine: The adoption of a law on the judiciary, a requirement under the Constitution, remains the most important priority for legal sector reform in Ukraine. This law is expected to reorganize the system of courts of general jurisdiction. Without such legislation, the organizational structure of the courts, the statutory framework, the relationship between the Ministry of Justice and the courts, the right to trial by jury, and the powers of the procuracy remain undefined and subject to widespread abuses. Other legislative priorities are a new civil code, code of civil procedure, administrative code, code of administrative procedure, criminal code, code of criminal procedure and law on the procurator general. While work on a number of these codes has begun, none have yet been adopted due to the absence of consensus among drafters from the three branches of government. The independence of Ukraine's judiciary is limited by the executive branch's role in the selection and financing of the judiciary. Conflicting, incomplete, or overly detailed legislation impedes consistency in judicial decisions, as does corruption within the judiciary. Inconsistent application of the law and enforcement contributes to citizen apathy and cynicism towards the legal system. Despite these obstacles, however, some progress was made in FY 2000. While Ukraine has yet to adopt a full system of modern law codes and procedures, many Ukrainian legal professionals are committed to professionalism and ethical standards. USAID has supported training for lawyers, as well as the efforts of the Constitutional Court and other Ukrainian courts to improve the training of judges, promote judicial independence, and association building. One sign of the success of these programs is that Ukrainian high courts have begun to rule against the government. USAID also promotes citizen participation through assistance to advocacy NGOs and *pro bono* legal clinics. As a result, citizens advocacy groups continue to successfully challenge government actions and defend citizen and community rights, especially on environmental matters. In FY 2000, USAID-funded model anti-corruption programs were implemented in Donetsk and Lviv. These community efforts build public-private partnerships to develop local strategies that target corruption with specific action plans and targets. In Donetsk, for example, this program created hot lines for citizen complaints, new procedures for traffic police and business inspections, and a citizens' advocacy office that provides legal support for grievances about corruption. An American-British business venture headed by the U.S. firm Cargill decided to invest over \$65 million in a sunflower processing plant in Donetsk and stated that this extensive anti-corruption campaign persuaded them to invest in Donetsk. In addition, the program recommended changes to the existing anti-corruption law that were incorporated into a new draft prepared by a presidential anti-corruption committee.

Major Contractors and Grantees

Major organizations providing assistance under this strategic objective include the following: the American Bar Association's Central & Eastern European Law Initiative (ABA/CEELI); Chemonics International, Inc.; the National Judicial College; the Russian-American Judicial Partnership; Institutional Reform and the Informal Sector (IRIS); the Moscow Helsinki Group; Management Systems International; and the Parliamentary Development Project of Indiana University.

STRATEGIC OBJECTIVE 2.3: More effective, responsible, and accountable local government

Improved local governance is at the core of this objective, which requires the rationalization of intergovernmental roles and responsibilities, the decentralization of authority (including financial authority) to the local level, improved capacity of local government, and improved channels for citizen participation in local government affairs. The development of effective, responsible and accountable government at the local level is pivotal to the consolidation of free-market democracy in the NIS countries. This lesson in post-communist transition is demonstrated by the significant progress in the devolution of decision-making authority to local governments in several of the countries of Central Europe—the countries that are furthest along in the reform process. Representative activities under this objective include the following:

- promoting the establishment of laws and regulations enhancing local government authority;
- expanding and improving revenue-sharing between central and local governments;
- helping to establish competitive and transparent procurement procedures;
- strengthening local technical and managerial capabilities;
- improving urban services such as water supply, transportation and waste management, when viewed primarily as local government-strengthening activities;
- promoting greater reliance on private-sector contracts for the provision of urban services and for the management and maintenance of municipally owned housing; and
- encouraging local government to adopt citizen participation mechanisms, e.g., publishing of local government decisions, public hearings, appointment to government boards, etc.

Progress Made in FY 2000

USAID's local government programs seek to build democracy and sound local economies in the NIS. Ultimately, success will be measured by the improvements in people's lives resulting from enhanced local services and greater economic opportunity at the local level. USAID's strategic framework is based on five attributes of successful local government: legal sustainability, democratic processes, financial resources, municipal services and assets, and institutional support systems. In FY 2000, local government programs were implemented in Kazakhstan, Kyrgyzstan and Ukraine, and new local government programs were initiated in Moldova, Armenia and Georgia. In addition, activities undertaken under other strategic objectives in Russia contributed directly to local government objectives.

USAID programs encourage the region's governments to consider the introduction of new, more decentralized local government frameworks. Progress has been slow, mainly because most of these former Soviet Republics never had exposure to or experience with market-based economies or democratic local governance. Overall, some countries in the region have begun to decentralize successfully or at least to gain some momentum for doing so. However, in most of the region, central governments have used the concerns of regional instability and ethnic conflict to label decentralization as a threat to national territorial integrity and to justify their decisions to block reforms and even consolidate their authority.

Armenia: In Armenia, USAID initiated a comprehensive local government program that supports legislative reforms to encourage greater decentralization. Specifically, this legislation defines the authorities and responsibilities of local governments, provides mechanisms for increasing citizen participation in their local government, and increases the standards by which local governments are held accountable for their effectiveness and transparency. In the initial phases of the program, USAID is focusing on nine pilot cities: Gyumri, Jermuk, Vanadzor, Alaverdi, Sevan, Ijevan, Yeghegnadzor, Sissian and Kapan. Program activities support the actual implementation of the new legislation, including the training of local officials to carry out their duties, which increase substantially under the new law. In addition, USAID activities strengthen local NGOs to empower citizens to use the newly mandated mechanisms for their participation.

Georgia: USAID activities fostered more responsive local governance through activities that greatly increased access to information, and through the expansion and strengthening of NGOs to represent constituent needs. USAID has been the most active donor in working with newly-elected local officials. Its activities facilitate the development of legislation on self-governance and local budgets, support local elections, provide handbooks and training to the newly elected officials, as well as finance modest grant programs for local initiatives.

Kazakhstan: Notable achievements during the past year include increased use of public budget hearings as a vehicle for citizen participation and the official development, training and use of competitive procurement standards by the Agency for Procurement. These results created a multiplier effect, as USAID received requests for assistance in holding public hearings, technical assistance and training from local officials outside the target cities. USAID activities have thus helped spread “good local practices” across the country.

Kyrgyzstan: The most notable highlights in FY 2000 included the increased use of public budget hearings; the continued rapid formation of democratically-organized housing associations throughout the country and their impact on the development of a democratic culture; technical assistance to the elected councils of the self-governing cities and towns; and the appointment and training of procurement agents nationwide.

Russia: While USAID is not formally pursuing SO 2.3 in Russia, there are a number of activities that USAID is carrying out that support democratic local governance by increasing interaction between NGOs and local government throughout Russia. For example, activists from USAID-assisted NGOs spoke at public hearings or provided expert commentaries on legislative or policy issues. In addition, an NGO resource center in Stavropol conducted research on issues of concern for young people last year, and the local administration has since incorporated the findings into its youth policy. In addition, the USAID Mission in Moscow has two task orders: one with the Research Triangle Institute to carry out a regional public finance and investment project and one with the Urban Institute on improving the delivery of social services. Given President Putin’s recent interest in reforms at the local and regional levels, USAID programs are well positioned to consolidate the central government’s current interest into a sustained commitment for reform.

Ukraine: In Ukraine, USAID support and encourage local government reform efforts that have a positive impact on people’s lives, their perceptions and practices of all the democracy, and economic reform efforts. The future of local government reform is in danger because of continued central government interference and harassment of locally elected mayors. In FY 2000, USAID activities helped to increase the transparency of local government units’ financial management in forty-eight cities (or 44 percent of the cities within the population range of 50,000 to 1 million) by using all or parts of a computerized budget financial analysis model provided through USAID assistance. Over thirty cities are now actively using citizen task forces and advisory boards. Most of these advisory boards are focusing on economic development, communal services, strategic planning or tourism. Thirteen cities have increased the transparency of government operations by using competitive bidding for services and assets. In addition, fifteen cities improved their management of municipal services and assets, resulting in improvements in trolley bus, water and other communal services; tariff collection rates; and reduction of energy consumption.

In addition, through the U.S.-Ukraine Foundation, 18 Ukrainian-American community partnerships achieved results in the areas of economic development, budget, housing/communal services, transportation, and citizen participation. USAID extended the successful Lviv Vodokanal and Effective Local Government projects to eight cities, in collaboration with a new loan program with the European Bank for Reconstruction and Development (EBRD). With USAID support, six pre-feasibility studies were completed and four joint advisory work groups have been established. USAID continued its support to the Association of Ukrainian Cities (AUC), whose membership has grown to 285 cities. The AUC is lobbying for passage of the FY 2001 Draft Budget and Budget Code, which may give local governments more revenue stability and fiscal autonomy. In addition, the Association is increasing its training capacity and improving its communications network through the establishment of regional offices in nineteen oblasts. The AUC has collected and disseminated at least forty best practices among Ukrainian local governments through its website and five publications. In addition, 30 mayors, deputy mayors and department heads participated in five different U.S.- and Poland-based courses and study tours.

Moldova: The five-year Local Government Reform Project begun this year was designed to make recently legislated local government autonomy effective through fiscal decentralization, municipal development and democratic local governance. Since its inception, experts have reviewed existing legislation and identified needed changes and improvements. They have been preparing drafts of amendments and new legislation to remove conflicts, gaps, and ambiguities in the laws. Manuals and training programs have helped mayors make better use of existing laws, especially on budgeting and finance. USAID activities have helped mayors’ associations develop training and consulting capabilities so that they can help their members in the same way. USAID has supported the development of improved approaches to municipal service delivery in three pilot centers: Soroca, Chisinau and Lapushna counties. Each of the pilot centers has focused on services such as

water supply, heating for residents, and solid waste management. The centers' pilot projects have included local taxation, budget, and treasury. Democratic local governance was enhanced through strategic planning training for mayors' associations, and assistance to citizen groups concerned with municipal services and local finance.

Major Contractors and Grantees

Major implementation partners under this strategic objective include Abt Associates, the Academy for Educational Development, CH2MHILL International Services Inc., Chemonics, Development Alternatives, the Eurasia Foundation, Horizonti Foundation, the International Center for Conflict Negotiation, the International City/County Management Association (ICMA), the International Republican Institute (IRI), the International Foundation for Electoral Systems (IFES), the National Democratic Institute (NDI), PADCO, the Research Triangle Institute (RTI), the Urban Institute, and the U.S.-Ukraine Foundation.

STRATEGIC ASSISTANCE AREA 3: SOCIAL TRANSITION

GOAL: Respond to humanitarian crises and strengthen the capacity to manage the human dimension of the transition to democracy

STRATEGIC OBJECTIVE 3.1: Strengthened Humanitarian Response to Crises

This objective encompasses actions to address critical humanitarian needs and strengthen organizational capabilities to anticipate, prevent and manage future crises. Representative activities include the following:

- emergency food distribution and establishment of food safety nets for vulnerable populations;
- assistance to war trauma victims, refugees and displaced persons;
- the provision of emergency supplies of medicines, vaccines and medical equipment;
- winter heating support;
- improvement of support services for handicapped and abandoned children;
- development of early warning systems for humanitarian crises; and
- improvement of emergency response capabilities.

Progress Made in FY 2000

Humanitarian assistance continued in the Eurasia region in FY 2000 to help meet the needs of refugees and internally displaced persons (IDPs) from earlier civil strife; of other vulnerable people as countries transition to open market democracies; and of people affected by natural and man-made disasters. USAID supported humanitarian activities in eight of the twelve NIS countries: Armenia, Azerbaijan, Belarus, Georgia, Russian Federation, Tajikistan, Ukraine and Uzbekistan. However, only Georgia and Azerbaijan have humanitarian assistance as a Strategic Objective. These activities also supported economic productivity among vulnerable populations, and discouraged dependence on assistance. Wherever possible, humanitarian assistance was phased out in lieu of more sustainable development-oriented activities. The major drought, which is seriously affecting agricultural production in the region, is a reminder that humanitarian needs often arise with little to no time for advance preparation. Since the drought response activities were initiated late in FY 2000 and much of the actual assistance will be provided in FY 2001, this report provides introductory information on the drought.

Armenia: USAID's Bureau for Humanitarian Response (BHR) provided approximately \$1.3 million in food aid through the United Nations World Food Program to improve the nutritional status of vulnerable persons, including refugees and IDPs, through food-for-work activities. These activities improved the health and living conditions of socially vulnerable by providing employment and the rehabilitation of infrastructure. They also promote increased food production and self-reliance. Responding to a request from the Government of Armenia, USAID funded a pilot program to test the use of housing certificates to meet the continuing shelter needs of those households affected by the 1988 earthquake. To date, 224 families in Gyumri have been provided certificates that allow them to purchase permanent housing from the real estate market. A key feature of this program has been the destruction of temporary shelters by the municipality, once permanent housing is found, thereby clearing these urban areas for economically and socially productive uses. In FY 2001, based on

the experience under the pilot program, USAID will launch a comprehensive program to address housing and related needs in the earthquake zone region.

Azerbaijan: In FY 2000, USAID-Washington approved the USAID-Azerbaijan Transitional Strategy for FY 2001 to 2003. The approved strategy will focus on a transitional approach from basic needs relief to longer-term sustainable economic development through programs aimed at the private sector. USAID expects to be able to focus increasingly over the next three years on resettlement of IDPs and refugees. USAID helped to provide shelter to approximately 5,000 families through grants under the Mercy Corps umbrella cooperative agreement. New grants are transitioning away from shelter programs towards more developmentally oriented community development activities. USAID funded essential economic assistance activities which trained 8,695 IDPs and refugees, provided 3,400 with loans and helped to create 3,179 jobs. An activity, currently being implemented in Gouranboy by CARE/SCF, financed the rehabilitation of 78 homes and assisted with economic opportunities and health services. UNHCR, with USAID support, completed the shelter portion of the World Bank resettlement program for 2000 IDP families.

BHR provided approximately \$2.5 million in food aid through the World Food Program for IDPs and other vulnerable groups. The food aid also supported resettlement of protracted refugees and returnees. Food-for-work and food-for-training schemes benefited those who have reached basic levels of food security and were ready for a transition to food self-sufficiency and or return to their own communities.

Save the Children Foundation (SCF) completed an activity earmarked for victims of the Nagorno-Karabakh conflict. SCF organized 73 community action groups and implemented some 78 micro community projects in shelter, primary education, income generation, and health. The design of these village-based activities has been implemented with the full participation of the communities and community groups to mobilize human resources for grass-roots community development activities.

Primary health care strengthening was provided to over 167,000 IDP patients. UNICEF, with USAID support, provided immunization services to 98 per cent of the IDP population in its service area. A new agreement with UNICEF will strengthen primary health care in areas where IDPs and refugees are concentrated.

A Social Development Investment Fund (SDIF) has been created by the Government of Azerbaijan (GOAJ) to support development benefiting resettled IDPs. The GOAJ, in cooperation with the World Bank and the United Nations, has designed an operational manual for the SDIF. USAID technical assistance is strengthening administrative capabilities to manage the fund. USAID plans to fund \$5.0 million in activities to complement SDIF efforts. USAID has also provided a grant to the UNDP to assist local NGOs in the IDP belt to coordinate the USAID-funded grass roots institutional development programs being implemented by the SDIF.

Belarus: Counterpart International distributed to NGO constituencies the equivalent of 18.6 forty-foot containers of humanitarian commodities worth \$2.8 million through the Counterpart Humanitarian Assistance Program (CHAP). Humanitarian assistance was provided to vulnerable people, including orphans, other children, teenagers at risk, large families, elderly and invalids. CHAP coordinated with Counterpart Alliance for Partnership's (CAP) NGO Development program and worked closely with Belarusian NGOs to provide commodities that would enhance the effectiveness and visibility of the community-focused projects of the indigenous civil society groups. The new approach helped Belarusian NGOs play a more important role in such areas as social service, humanitarian relief, and health, especially in rural areas.

Georgia: Responding to a severe drought, USAID is fielding an integrated package of activities that includes substantial funding and food aid. BHR provided over \$500,000 during this reporting period for drought relief. Approximately 37,000 affected households received drought assistance in the form of special credit packages for commercial farmers; distributions of wheat seed, diesel and planting cash for subsistence farmers; and a feeding kitchen for pensioners in the worst hit district. The hard-hit and politically sensitive region of Samtskhe-Javakheti was included in the response package, thus contributing to ethnic stability within Georgia. The rapid U.S. Government response helped mobilize assistance from other donors to form a truly multi-lateral effort.

During the winter months, 120,000 vulnerable persons, 22 institutions, and 9 collective centers for IDPs received \$5 million in subsidies to cover their electricity bills. This program was integrated with other USAID programs that support privatization and reforms in the energy sector. Relief programs rehabilitated forty-eight dilapidated IDP collective centers, benefiting over 12,000 households. USAID provided approximately \$1.0 million in food

aid through the World Food Program as supplementary food to the most vulnerable people, including orphans, elderly, and disabled in institutions; and refugees from Chechnya. The food aid was also used for food-for-work agriculture and social rehabilitation projects, and to feed 6,500 isolated pensioners in cities outside of Tbilisi.

Transitional programs assisted 13,664 vulnerable households in meeting their own basic needs through the provision of 1,700 micro-credit and 3,026 small loans and the implementation of agricultural programs. With local Georgian partner organizations, 118 community micro-projects benefiting 27,900 households were implemented.

Support for immunization programs resulted in overall immunization levels of 69 per cent of the children under two years of age, with a 90 percent level for diseases such as diphtheria, tuberculosis and polio. Initial progress in addressing iodine deficiency disorders was made through the distribution of iodine capsules to children in selected regions. A family health campaign was launched, including the promotion of modern contraception methods, building health provider capacity in contraceptive technologies, and conducting reproductive health evaluation activities. Over 500 health-care professionals were trained through health partnerships, focusing on primary health care, infection control, women's health and health management education. A Women's Wellness Center opened serving approximately 4,000 women annually. A new blood bank opened, which in the last month of the reporting period had already received 105 blood donations and processed 225 blood products for patients needing transfusions. As part of USAID's conflict prevention and mitigation program, 5,310 IDP and other vulnerable youth affected by the Abkhazia conflict were provided with opportunities for psychosocial rehabilitation through three Youth Houses. Conflict management and prevention training was provided to 21 Abkhaz and Georgian Youth Leadership Groups, comprised of 250 Abkhaz and 250 Georgian teenagers, 54 of whom attended a conflict resolution/prevention camp in the U.S.

Russia: BHR donated \$3.1 million in food aid through the World Food Program to vulnerable Chechen IDPs and food-insecure host communities in Ingushetia. BHR provided an in-kind donation of relief items to ICRC via the American Red Cross to support the humanitarian needs of war-affected Chechens, which included 35,000 wool blankets, 8,000 water containers, and 70,000 hygiene kits. The total value of this in-kind assistance for Chechen displaced persons in FY 2000 was \$1.07 million. In addition, BHR provided an in-kind donation of WHO emergency health kits for use by UNHCR in Chechnya valued at \$30,000.

Tajikistan: Through the Rehabilitation, Reconstruction and Development Program of the UN Office of Project Services (UNOPS), USAID has supported employment creation opportunities for over 1,200 ex-combatants in the Karategin Valley, a center of the former opposition that hosts a large concentration of ex-combatants. (The annual report for FY 1999 inadvertently stated that employment opportunities had been created for 1,800 ex-combatants, instead of 800 ex-combatants.) The UNOPS program also supported reconstruction of homes, schools, clinics and other public infrastructure in several areas hard hit by the country's civil conflict, directly benefiting over 20,000 families. The success of this program is noteworthy because it has used contracts with local firms to implement rehabilitation activities, providing economic stimulus in economically depressed areas.

BHR donated \$1.5 million in food aid through the World Food Program, which provided relief to vulnerable groups, including school children, returnees, demobilized soldiers and victims of sudden disasters. In addition, the food aid was used to assist in the country's rehabilitation and development, with priority given to activities that promote long-term food security through food for work rehabilitation of urban and rural infrastructure, and through subsistence rations to families establishing crops on land leased from collective farms.

USAID also supported agricultural programs in a number of regions, including the Karategin Valley and Leninskiy District near Dushanbe, to improve farming practices, increase incomes, and support privatization efforts. USAID-funded micro-financing continues to have an overall return rate of over 90 percent for all loans. A USAID grant to CARE supported the development of a farmers' association for over 8,000 farm families in Leninskiy District. By providing access to improved agricultural inputs, improved farming techniques, and better market information, this project has had a positive impact on the livelihoods of the participating farm families.

BHR supported the Lake Sarez Risk Mitigation Project (LSRMP) with a \$250,000 grant to Focus Humanitarian Assistance, USA. The LSRMP aims to reduce the risk posed by the potential collapse of a landslide-formed dam at Lake Sarez that threatens up to 5 million people. USAID is supporting the social component, which includes community preparedness, mapping, and training. In response to a July 28 disaster declaration for the

drought in Tajikistan, BHR provided \$25,000 which is supporting an emergency program for the treatment of malnutrition of children under five years old in Pyanj district, one of Tajikistan's worst-affected areas.

Ukraine: Since 1994, Ukraine has experienced one or two natural or man-made disasters every year, and USAID has frequently been requested to provide humanitarian assistance. To help meet the needs caused by these disasters, especially those of vulnerable groups, the USAID Mission has continued the Counterpart Humanitarian Assistance Program (CHAP). This program has experienced staff in the field who are able to be at the site of an emergency within hours, assess the situation, arrange for immediate assistance, and provide on-the-job training to host-country counterparts. A recent example is the mine explosion in Luhansk in March 2000, which killed 80 and injured seven. USAID, at the request of the government, responded with prompt assistance to the 87 affected families, funded in part by \$25,000 from BHR. One of the big benefits of CHAP is that it has been effective in leveraging assistance from other sources. CHAP helped the mining families receive over \$300,000 in assistance. Beneficiaries of the Mission's humanitarian assistance include victims of disasters and vulnerable groups, including disadvantaged children and youth, the elderly, the disabled and pensioners.

With USAID assistance, humanitarian donations from non-USAID sources are better managed to achieve maximum impact. Delivery of humanitarian assistance to Ukraine is difficult because of impediments imposed by local officials. CHAP has assisted other U.S. PVOs, that have neither local experience nor infrastructure in place, to deliver humanitarian assistance to Ukraine. For example, currently CHAP is working with World Rehabilitation Fund of New York and other U.S. organizations to assist a local clinic in making prosthetic devices for invalids.

CHAP has strengthened the capacity of numerous local public and private rescue organizations to meet humanitarian crises through training and helping them to be better equipped. CHAP arranged training for two groups of representatives from these organizations on Global Information Systems software applications relating to emergency response, and CHAP provided them with hands-on emergency response training in the U.S. with their U.S. counterparts.

Uzbekistan: In response to an August 22 disaster declaration for drought in Uzbekistan, BHR provided \$25,000 to USAID-Tashkent for drought-related potable water activities targeted at reducing the risk of epidemics.

Major Contractors and Grantees

Major contractors working with these programs include the United Nations World Food Program (WFP), the Salvation Army, the International Federation of the Red Cross (IFRC), Save the Children Federation USA (SCF), Counterpart International, the United Nations High Commissioner for Refugees (UNHCR), the International Rescue Committee (IRC), the American International Health Alliance (AIHA), the U.S. Centers for Disease Control and Prevention (CDC), the Johns Hopkins University, the Aga Khan Foundation, CARE, Counterpart International, Mercy Corps International (MCI), the United Methodist Committee on Relief (UMCOR), and the United Nations Office for Project Services (UNOPS).

STRATEGIC OBJECTIVE 3.2: Increased Health Promotion and Access to Quality Health Care

This objective incorporates the elements of prevention, access (both financial and geographic), equity, quality, efficiency and sustainability of health care. It also emphasizes the vital roles of individuals, families and communities, as well as national and regional governments in health care and promotion. Intended results include:

- Enactment of legislative and policy reforms, with increased focus on community-based primary health care;
- Improved mobilization, allocation and use of health care resources;
- Improved quality of health care;
- Citizenry better informed about and better able to advocate for personal health care rights and obligations; and
- Reduced environmental and occupational health risks.

Achievement of these results—and those of other donor programs—will contribute to improved health status such as higher contraceptive prevalence rates, lower abortion rates, lower infant and maternal mortality rates, and a lower incidence of infectious diseases, such as tuberculosis (TB) and HIV/AIDS. USAID will pursue

activities in the following key areas to achieve its strategic objective and contribute to the improved health status of the population.

Primary Health Care: The Central Asia Mission's new Access to Quality Health Care project builds upon earlier USAID assistance efforts to increase access to primary health care services. Over the past year, enrollments in health insurance plans managed by primary health care practices (PHCPs) increased to two million (over 50 percent of the population) in Kyrgyzstan, 360,000 in Kazakhstan, and 250,000 in Uzbekistan. More efficient systems to pay health care providers were implemented nationwide in Kyrgyzstan and expanded in Kazakhstan and Uzbekistan.

In Armenia, the Government of Armenia and the USAID Caucasus Regional Mission launched a major social sector reform program that includes a social health insurance component patterned much on the Central Asian model.

The USAID Mission in Russia continued to assist the Ministry of Health (MOH) in developing a systematic approach to improving the quality of health care. The MOH established the Federal Methodological Center on Health Quality Assurance to provide guidance on continuous quality management and evidence-based medicine. Two operational research projects have demonstrated that management and institutional changes can significantly improve health outcomes without higher costs. In Tver, pregnancy-related toxemia dropped by more than 70 percent, generating cost-savings of more than 85 percent. In Tula, hypertensive crises have dropped 57 percent and hospitalizations have been reduced by 92 percent. USAID-Russia's Legal Reform in Health Project continued to help advance legislation on key health issues, including private practice medicine and the minimum health benefit package in the mandatory health insurance system.

USAID-Ukraine's health strategy focuses on primary care service delivery reform, community-based Ukrainian-American health partnerships, and training health care professionals. Over the past year, the Mission continued assistance to develop health information systems. These systems have helped identify and respond to major communicable disease outbreaks such as TB, diphtheria, and measles in Lviv, Zhitomir, and Odessa oblasts. The project also developed a set of training tools and methods for reforms in recording and reporting immunization activities.

The NIS Health Partnerships Program implemented through the American International Health Alliance (AIHA) opened seven new partnership programs in FY 2000, including primary health care (PHC) partnerships in Armenia, Azerbaijan, Moldova, Russia and Ukraine, and an emergency medical services partnership in Uzbekistan. This brings the total number of PHC partnerships in the NIS to 28. The Government of Ukraine adopted the AIHA PHC model as the standard for nationwide replication. In all, 71 health partnerships have been established since the program began in 1992. Partnerships include programs in primary health care, women's wellness, emergency medical services, and health management education among others.

Reproductive Health: In FY 2000, reproductive health surveys (RHS) were completed in Ukraine, Russia and Georgia, and launched in Azerbaijan. These surveys, conducted by the Centers for Disease Control and Prevention (CDC), are used by USAID Missions and on a regional basis to determine programmatic directions. Of the eight countries for which USAID has data from reproductive or demographic health surveys, Georgia has the lowest modern contraceptive utilization rate and the highest abortion rate. In fact, the abortion rate is higher than in Russia and Romania, which have been billed as the highest in the world. In 2001, a comparative report including six NIS countries and several Eastern European countries is expected to be published. Georgia launched a Safe Motherhood Initiative (SMI), expanding reproductive health activities into the broader context of Maternal and Child Health (MCH). Russia continued to expand its WIN (Women's and Infant) Health program. Program implementation included two baseline surveys; the formation of national level Executive and Technical Advisory Committees, and Technical Working Groups in Perm and Novgorod; and development of information materials and related training on maximizing access to quality services, exclusive breastfeeding, essential care of newborns, and contraceptive technology. In Central Asia, reproductive health became an integral part of the new Quality Health Care project, and a reproductive health coordinator was hired. The project will draw upon the Kyrgyzstan model of integrating family planning/reproductive health services into family group practices and primary care. In addition, a wide variety of reproductive health materials were developed and disseminated throughout the NIS region.

Infectious Diseases

Tuberculosis (TB): USAID has begun to develop a “best practices” guide for TB control to be used by primary-care physicians working in under-served areas of the NIS. In Kazakhstan, USAID, through CDC and Project HOPE, has been providing assistance in TB training in the World Health Organization’s (WHO) directly observed therapy, short course (DOTS) methodology. Kazakhstan reports that between 1998 and 1999 and for the first time since 1990, the TB mortality rate has fallen, decreasing by over 20 percent, from 38.4 to 30.7 deaths per 100,000 people. USAID also has started DOTS pilots in Uzbekistan and Turkmenistan. In Russia, USAID-supported pilot TB programs have demonstrated that international protocols can indeed work in Russia. The new protocols, developed by clinicians from WHO, CDC, the Russian Academy of Sciences and TB physicians in Ivanovo and Orel *oblasts* (regions), have been approved by the Russian Central Tuberculosis Research Institute.

HIV/AIDS: Working with national governments other donors and non-governmental organizations to develop national prevention strategies and effective programs, USAID currently supports HIV/AIDS programs in Georgia, Kazakhstan, Russia and Ukraine. Activities include HIV/AIDS awareness and education campaigns and social marketing of condoms targeted at youth, plus sexually transmitted infection treatment services targeted at high-risk groups, especially injecting drug users and sex workers. USAID is continuing to collaborate with the EU on a joint STI/HIV/AIDS strategy in Ukraine. Each side has committed \$2 million to implement an HIV/AIDS prevention and information program. The activity has two components: the development of a national information center on HIV/AIDS and STIs, and support of NGOs working in Ukraine on HIV/AIDS/STI prevention and community support. In Russia, HIV/AIDS education and prevention efforts are being continued in Moscow and Saratov. These pilots have shown that prevention programs are beginning to demonstrate their effectiveness among a range of high risk groups including youth, commercial sex workers, injecting drug users and the military.

Regionally, the E&E Bureau continues to support the Secretariat for the Sexually Transmitted Infections Task Force at WHO/EURO. The Task Force shares information, mobilizes regional training workshops, and critiques country-specific HIV/AIDS strategies. Kazakhstan is expanding the successful pilot program on syndromic management of STIs. This pilot increased the diagnosis of STIs by 70 percent, marking a major step toward the integration of STI prevention and care into primary health care.

Other Health-Related Programs

USAID funded UNICEF/Kiwanis programs in Georgia and Armenia focusing on preventing iodine deficiency disorders. Those programs build on successful programs have been completed in Russia, the demonstrated cost-effectiveness of salt iodization, and the public/private collaboration achieved in other programs.

On January 1, 2000 the Government of Ukraine officially adopted the USAID funded Health Information System as the national reporting system for immunization services. Rationalization of immunization services has increased the number of immunized children, which has subsequently convinced the government to reform vaccine procurement practices to ensure the availability of high quality vaccine.

In 1999, a Global Alliance for Immunization and Vaccines (GAVI) with a \$750 million budget, was launched with the purpose of improving immunization service delivery worldwide, increasing technical capacity as well as creating a donor independent financially sustainable immunization program. Nine countries from the EE Region have expressed interest in GAVI, of which 3 have already applied and received GAVI (conditional) approval for hepatitis B vaccine.

Remaining Challenges

Notwithstanding the substantial progress being made by the region with assistance from USAID and other donors, epidemiological and systemic trends in the region remain disturbing. The incidence of HIV/AIDS, tuberculosis, and multi-drug resistance tuberculosis continues to increase and improvements in health sector reform remain slow in comparison to the magnitude of these problems. In addition, although progress has been made in certain countries of the NIS in lowering high rates of abortion and correspondingly increasing contraceptive prevalence, abortion rates in the NIS remain the highest in the world. Programs that promote the

use of modern methods of contraception and maternal health need to be expanded. Some of the factors impeding progress towards meeting these objectives are listed below:

- Continued need for strong national commitment to TB and HIV/AIDS control and prevention programs. Progress can be stimulated or accelerated by a powerful public statement by the head of state. Strong and visible leadership will be a key factor in helping the NIS avoid the mistake of complacency.
- Progress towards systemic health reform has been complicated by the continuing devolution of health sector responsibilities from central governments to regions and municipalities that are unprepared to carry out these responsibilities. USAID and other donors thus must work with an expanding number of inexperienced policy, program, service delivery and finance entities at the local level.
- Ongoing limitations of USAID Mission and regional funding and staff resources. While health and social sector issues are attracting more attention in some Missions and in Washington, a shortage of program funding and USAID technical staff with the necessary expertise (especially direct hires) remain as impediments.
- Shortage of qualified experts in the region and abroad in the area of infectious diseases. In particular, there is a shortage of TB implementation specialists capable of designing and implementing internationally approved control programs in the NIS. The expansion DOTS programs in the NIS by USAID and other donors will be slow until this problem is addressed.
- Donor coordination must be improved. With limited resources and increasing demands, donor coordination becomes more essential in the region.

Major Contractors and Grantees

Major contractors and grantees under this SO include the American International Health Alliance (AIHA), Abt Associates, U.S. Department of Health and Human Services, World Health Organization, Alliance, TVT Associates, Family Health International, PATH, Centers for Disease Control and Prevention (CDC), UNICEF, MSH, AIDSMARK, JHPIEGO, MACRO International, John Snow International, PCS, Futures Group, NGO Networks.

STRATEGIC OBJECTIVE 3.4: Mitigation of Adverse Social Impacts of the Transition to Market-Based Democracies

The E&E Bureau created a new Strategic Objective (SO) in FY 2000 to focus its efforts on mitigating the negative impacts of transition on citizens in the region. The new SO will address social conditions that significantly constrain or threaten efforts to achieve more productive, growth oriented, and democratic free market economies. USAID undertook this effort recognizing that insecure and marginalized citizens are less likely to enthusiastically support ongoing reforms, even when the long-term objectives of such endeavors are ultimately to raise living standards. A number of activities are now under way.

Intended results under this SO include:

- strengthening national and local government systems to reduce the incidence and severity of poverty,
- making social insurance programs more broadly available, better funded and transparently administered,
- facilitating the transition of workforces to more productive, market economy appropriate employment,
- ensuring that particularly vulnerable groups are better protected from exploitation, violence, discrimination and neglect,
- strengthening human capacity through targeted education sector programs.

Washington-based USAID staff are now working with interested USAID field missions to enhance programs that have already been initiated in this area; exploring with interested missions new opportunities to be supported by USAID and other donors; and building staff and external resources to deal with social transition issues.

Social Insurance: USAID initiated a new social sector transition program in late FY 2000 to assist Armenia in establishing a framework for sustainable social insurance systems (e.g., health, pension, disability,

unemployment). This includes improved service delivery with particular emphasis on the most vulnerable groups. A priority in FY 2001 is to increase the demonstrable benefit of U.S. Government assistance to the average Armenian and his/her standard of living, thereby building and sustaining popular/political support for the continuation and implementation of democratic/economic reform measures needed for creating a free market democracy. In addition to continued work on pension reform efforts in the Ukraine, USAID assisted the Government of Ukraine in broader work to expand awareness of social safety net models, and in improving government capabilities to collect and analyze social sector data. It also played a key role in advising the GOU on pension reform legislation.

Workforce Transition: There are two fundamental sets of problems in workforce transition in the NIS. The first concerns how to assist workers dislocated by privatization, firm restructuring, or a changing economy to acquire the skills demanded by a market economy. The second problem concerns the elimination of workplace-supported benefits (such as subsidized housing, daycare, and food stores) and the impact such changes have on household income. Few USAID projects directly address these problems in the NIS, though there is growing recognition of the linkage between effective social assistance, employment policies, and economic growth. USAID-Armenia in FY 2000 focused on job creation efforts through an agribusiness SME microcredit program. USAID-Tajikistan supported several programs to create jobs or the means for employment and income generation, particularly for groups with a disproportionate share of the nation's estimated 35-40% unemployment rates. Initiatives included a microcredit program for women (in cooperation with USDA); job creation programs for ex-combatants in the Karategin Valley (in cooperation with UNOPS); and material and monetary income supplements under the Food for Progress program (in cooperation with USDA).

Vulnerable Groups: USAID supported various programs in Ukraine to help combat trafficking in women through education and prevention programs. Additional assistance benefits returned victims of trafficking. In Russia, USAID assistance was provided to improve social sector service delivery through improved targeting to vulnerable groups at the municipal level. In Moldova, USAID assisted orphans, the mentally and physically disabled, the chronically ill, and pensioners through initiatives to deliver material assistance (clothing, pharmaceuticals, machinery) as well as winter heating assistance. In Georgia, USAID initiated a new local grant program for communities to benefit vulnerable and isolated groups, in areas where the benefits of socio-economic and political reform have not yet been translated into micro-level benefits for ordinary persons.

Human Capacity Development: The E&E Bureau funded a new extension phase of the Orava Project, which was originally implemented in Slovakia. This support will facilitate the dissemination of information and demonstration of approaches to interested educators from the NIS countries and Southern Europe. USAID also continues to support the development of a number of university-level activities, both centrally and at the field mission level. Texas A&M University continued its USAID-funded partnership with the Turkmen State University to develop a business school with international standards.

Changes Anticipated in FY 2001: FY 2001 is the first year that staff resources will be in place in Washington to work with field missions on achieving the objectives identified under SO 3.4.

Major Contractors and Grantees: Major contractors and grantees under this strategic objective currently include the U.S. Department of Health and Human Services (HHS), the U.S. Department of Labor, the University of Northern Iowa, International Science and Technology Institute (ISTI), and PADCO.

STRATEGIC ASSISTANCE AREA 4: CROSS-CUTTING PROGRAMS AND SPECIAL INITIATIVES

This assistance area includes the following types of programs:

- activities that do not contribute directly to other strategic objectives, but nevertheless serve strong Administration or Congressional interests or address an extraordinary circumstance requiring USAID assistance in a particular country;
- activities that relate directly to a particular ENI Bureau strategic objective, but are too limited in scope or impact to be designated as a separate strategic objective in the country program; and,
- cross-cutting activities that contribute to more than one strategic objective, such as general training.

In FY 2000, the two major activities carried out under this strategic assistance area were the Eurasia Foundation's grant-making activities, and training carried out under USAID's Global Training for Development (GTD) Project. Please see the Eurasia Foundation and GTD sections in Part III of this report.

The table below shows the strategic objectives pursued by each E&E Bureau country program in FY 2000:

USAID E&E BUREAU STRATEGIC OBJECTIVES IN THE NIS - FY 2000

| | 1.1 | 1.2 | 1.3 | 1.4 | 1.5 | 1.6 | 2.1 | 2.2 | 2.3 | 3.1 | 3.2 | 3.4 | 4 |
|--------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|---|
| Armenia | | | x | x | x | | x | x | | | x | | x |
| Azerbaijan | | | x | | | | x | x | | x | | | x |
| Belarus | | | x | | | | x | | | | | | |
| Georgia | | | x | x | x | | x | x | x | x | x | | x |
| Kazakhstan | x | x | x | x | x | x | x | | x | x | x | x | |
| Kyrgyzstan | x | x | x | x | x | x | x | | x | x | x | x | |
| Moldova | | | | | | | | | | | | | |
| Russia | | | | | x | | | | | | | | |
| Tajikistan | x | x | x | x | x | x | x | x | | x | x | x | x |
| Turkmenistan | x | x | x | x | x | x | x | | x | x | x | x | x |
| Ukraine | | | x | x | | | x | x | x | | x | x | x |
| Uzbekistan | x | x | x | x | x | x | x | | x | x | x | x | |

KEY TO USAID/E&E STRATEGIC OBJECTIVES

- 1.1 Privatization
- 1.2 Fiscal Reform
- 1.3 Strengthening Private Enterprises
- 1.4 Financial Sector Reform
- 1.5 Sustainable Energy Systems
- 1.6 Environmental Management

- 2.1 Citizen Participation
- 2.2 Rule of Law
- 2.3 Local Government

- 3.1 Strengthened Humanitarian Response to Crises
- 3.2 Sustainable Social Services
- 3.4 Mitigating Adverse Social Impacts of Transition

- 4 Cross-Cutting Activities and Special Initiatives

TRAINING, EXCHANGE AND EDUCATIONAL REFORM PROGRAMS

Since 1993, the U.S. Government has brought over 80,000 people, including over 10,400 in FY 2000 alone, from the NIS to the United States on training and exchange programs in fields ranging from management to social service provision to NGO development. These programs have proven to be our most effective tool in reaching out to the next generation of NIS leaders to give them first-hand experience with the day-to-day functioning of a market-based, democratic system.

U.S. DEPARTMENT OF STATE - BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS (ECA) (FORMERLY THE U.S. INFORMATION AGENCY)

The Bureau of Educational and Cultural Affairs (ECA) was established on October 1, 2000, as one of the successor entities to the U.S. Information Agency, which was integrated into the U.S. Department of State. In FY 2000, the ECA Bureau brought approximately 6,600 NIS citizens to the United States on short- and long-term professional and academic exchange programs on a wide range of topics related to democratic and free-market reform. The ECA Bureau's FY 2000 NIS assistance programs were funded through the FREEDOM Support Act (FSA) as well as through a significant percentage of ECA Bureau's own base appropriation under the Educational and Cultural Exchanges (ECE) Account. The funding source for each of the programs described below is noted as FSA-funded, ECA base-funded, or jointly funded.

FREEDOM Support Grant Program (FSA-funded): In FY 2000, the ECA Bureau's Office of International Visitors organized group and individual FSA Grant exchange programs for a total of 635 NIS participants, including 35 from Armenia, 34 from Azerbaijan, 36 from Belarus, 28 from Georgia, 53 from Kazakhstan, 27 from Kyrgyzstan, 19 from Moldova, 304 from Russia, four from Tajikistan, five from Turkmenistan, 79 from Ukraine, and 11 from Uzbekistan. The FSA Grant Program, the FSA-funded counterpart of the ECA Bureau's base-funded International Visitor (IV) Program, brings mid- to senior-level regional and local government officials and key professionals in selected fields to the United States to meet with their professional counterparts and examine issues related to democratic and economic reform. The FSA Grant Program is designed to be flexible and responsive to specific embassy requests for short-term exchange programs for influential public- and private-sector decision-makers. Participants develop working relationships with their U.S. counterparts, from whom they can gather information on an ongoing basis. The programs, which are typically two to three weeks in length, have included government officials, members of federal and local legislatures, leading economists, journalists and government spokespeople, regional leaders, judges and prosecutors, and representatives of NGOs. Topics addressed in FY 2000 included trade, the U.S. system of government and politics, intergovernmental relations, foreign policy decision making, economic development and regional investment, small-business development, combating the trafficking of women and children, human and civil rights, judicial reform, and journalism. Program highlights follow:

Transparency in Business and Government Relations Program (Regional Program for Azerbaijan, Armenia, and Georgia): A group of NGO activists and government officials from Azerbaijan, Armenia and Georgia examined ethics in government-business relations and learned about ethics rules for government officials, transparency legislation and practice, and government contracting. Based on the framework of ideas she discovered on this project, an Armenian participant has organized two NGO-sponsored seminars called "Corruption in Armenian Governmental Structures" and "To What Degree is Financial Oversight in Armenia Public and Independent?"

Women in Politics in the United States (Russia): Based on what she learned during her program in the U.S., Vera Sokolina, Member of the Sverdlovsk Regional Legislative Assembly, has set up a women's "leadership school" in Yekaterinburg where students learn networking and confidence-building techniques, methods for becoming politically active, ways to propose bills, and how to compete with men.

Business Development Program (Ukraine): A delegation of six government officials from the Kharkiv region of Ukraine, including the Governor of Kharkiv Oblast and the Mayor of Kharkiv City, participated in an IV program in support of the U.S.-Ukrainian Kharkiv Partnership. The delegation met with representatives of U.S. businesses, chambers of commerce, and local governments to discuss business development and attracting foreign investment. A highlight of the program was a meeting with representatives of Westinghouse Corporation in Pittsburgh to talk about the possibility of further Westinghouse investment in Kharkiv.

Government Fiscal Management Program (Georgia): Ten senior officials from Georgia's Ministry of Finance gained a deeper understanding of government finance and areas in which implementation of reform is essential for the successful functioning of Georgia's government. The group studied the way in which fiscal management and oversight is conducted on the federal and state levels. As a direct consequence of the program, the Treasury Department in the Georgian Ministry of Finance has streamlined its disbursement procedures.

Regulation in a Market Economy Program (Russia): Operational changes in the Labor Ministry of the Republic of Karelia are on the horizon, due to the participation of the first deputy minister, Vladimir Dubrovskiy, in a program on market regulation. Mr. Dubrovsky has suggested the creation of a state-managed enterprise to provide labor protection and improve labor inspections, based on the OSHA model. The Ministry also plans to establish a union to facilitate the resolution of social and labor problems that may arise.

Small Business Development Program (Russia): After returning home from the U.S., participant George Medvedev moved from his position as head of a business-related NGO to assistant to Russian State Duma Deputy I.D. Grachev, Chairman of the Committee on Property, Privatization and Economic Activity. In his new job, Medvedev has used data gathered on his program to authorize three bills aimed at protecting entrepreneurs. Another participant, Ms. Alla Bazhina, has replicated in Yekaterinburg a business incubator she observed in the U.S. Like Medvedev, Bazhina believes that small businesses will re-create the Yekaterinburg economy; consequently, she and others have formed a small political party and are intent on electing a pro-business deputy to the regional legislature.

INTERNATIONAL VISITOR PROGRAM (ECA base-funded)

Like the FSA Grant Program, the ECA Bureau's IV Program gives NIS participants an opportunity to familiarize themselves with American society, government and culture; study U.S. approaches to their professional fields; and establish professional contacts with their U.S. counterparts. IV Program participants, who are nominated by U.S. embassies, come to the United States for approximately three weeks to meet with experts in their fields in Washington, D.C. and various cities around the country. Program topics in FY 2000 included civic education, media relations, rule of law, trade, state and local government, American studies, taxation and budgeting, social welfare, health, media relations and NGO management.

In FY 2000, a total of 222 NIS citizens participated in individual and group IV programs: eight from Armenia, one from Azerbaijan, nine from Belarus, 15 from Georgia, 29 from Kazakhstan, five from Kyrgyzstan, nine from Moldova, 105 from Russia, nine from Tajikistan, four from Turkmenistan, 18 from Ukraine, and 10 from Uzbekistan. Program highlights are provided below:

Broadcast Media Program (Uzbekistan): Three independent television station directors from different regions in Uzbekistan studied the management and operation of television stations and the role of independent media and news reporting in a democratic system. The visitors, struck by the U.S. commitment to information availability and access, were inspired by the caliber of journalism and technological know-how they saw at larger and smaller television facilities. Two of the participants' stations, whose operations had been suspended by Uzbek government authorities, were able to resume broadcasts following their return from the U.S.

American Studies Program (Russia): Students at Moscow State University are learning about the civil rights movement in the U.S. through an American Studies course given by Ludmila Baranova. Baranova, who started one of Moscow State University's first American Studies courses after her return from the U.S., focuses on African-American history and the civil rights movement. She now uses materials she received on her trip, including recordings of American folk songs and video footage of the civil rights demonstrations of the 1960s.

Civic Education Program (Regional Program for Kazakhstan, Uzbekistan, Tajikistan and Turkmenistan): Four educators and NGO leaders from Central Asia met with U.S. NGOs, visited schools and universities, and discussed strategies to promote greater citizen awareness and involvement in the democratic processes that are evolving in their countries. They gathered a wealth of materials on civic education and social studies, compared their experiences in Central Asia and vowed to establish a formal Central Asian network of civic educators.

Civic Education Program (Russia): Using materials collected in the U.S., Ms. Tatyana Romanchenko, head of the Department of History and Social Sciences at the Primorye Teachers' Training Institute in Vladivostok, introduced a program on human rights for teachers in Vladivostok and surrounding areas of the Russian Far East. Ms. Romanchenko has also lectured on U.S. teaching methods and ways to integrate civic education in history, social sciences, and other subjects.

CITIZEN EXCHANGES (FSA- and ECA base-funded)

The ECA Bureau's Office of Citizen Exchanges encourages the growth of democratic institutions in the NIS by supporting exchanges and training programs conducted by U.S. non-governmental organizations and universities and their NIS partner institutions. These programs not only expand and enhance partnerships between U.S. and NIS institutions, they enable NIS citizens to develop knowledge and skills essential to their professional responsibilities. In FY 2000, the Office of Citizen Exchanges awarded almost 30 grants to support international exchange programs for 192 NIS citizens and 165 U.S. citizens. Thematic priorities for FY 2000 included leadership training for women (in Russia, Belarus, Moldova, Ukraine, Kazakhstan, Armenia, Azerbaijan and Georgia); support for public awareness campaigns and victim assistance to prevent trafficking of women (in Russia); media internships (in Russia); online communities in environmental law (in Belarus, Moldova and Ukraine) and refugees/internally displaced persons and business development (in Armenia, Azerbaijan and Georgia); programs on ethics in the public sector (in Ukraine); business management training using distance learning (in Ukraine), and professional associations (in Russia). A breakdown of participants by country and funding source follows:

| COUNTRY | U.S. (FSA- funded) | U.S. (Base- funded) | TOTAL U.S. CITIZENS | NIS (FSA- funded) | NIS (Base- funded) | TOTAL NIS CITIZENS |
|----------------|-----------------------------------|------------------------------------|--------------------------------|----------------------------------|-----------------------------------|-------------------------------|
| Armenia | 5 | | 5 | 6 | | 6 |
| Azerbaijan | 5 | | 5 | 6 | | 6 |
| Belarus | 16 | 2 | 18 | 17 | | 17 |
| Georgia | 28 | 3 | 31 | 26 | 12 | 38 |
| Kazakhstan | 3 | 6 | 9 | | 12 | 12 |
| Kyrgyzstan | 2 | | 2 | 12 | | 12 |
| Moldova | 3 | 2 | 5 | 10 | | 10 |
| Russia | 53 | 3 | 56 | 45 | | 45 |
| Tajikistan | | | | | | |
| Turkmenistan | | | | | | |
| Ukraine | 15 | 11 | 26 | 19 | 12 | 31 |
| Uzbekistan | 8 | | 8 | 15 | | 15 |
| TOTAL | 138 | 27 | 165 | 156 | 36 | 192 |

(The above numbers do not include the hundreds of participants who take part in the NIS-based program components, nor do they include the participants in the NIS-based training sessions that new NIS trainers conduct as part of the train-the-trainer model.)

Program activities supported by the Office of Citizen Exchanges in FY 2000 included internships, study tours, training, consultations, and extended, intensive workshops promoting two-way exchanges. Many of the programs were designed to accommodate non-English speakers and take into account the need for ongoing information sharing, training and plans for self-sustainability. Programs typically offer support for the establishment of training centers, professional networks, Internet communication, and train-the-trainer programs. Program highlights include:

- **Prevention of Trafficking in Women and Girls (Moldova):** CONNECT, a Minneapolis-based NGO with professional counseling staff and extensive experience in exchanges and training, launched a program in victim assistance and training for crisis center professionals, social workers and NGO leaders involved in repatriating trafficking victims in Moldova. In October 2000, CONNECT convened twenty professionals in Chisinau for a strategy session about the issues facing trafficked and repatriated women, services for victims, predicted challenges, and dangers to organizations that provide rehabilitation and victim assistance services for women. The group included members of the new Moldovan government task force on trafficking

as well as representatives from the Ministry of Interior, NGOs, parliament, the media, and legal, psychological, and medical service organizations.

- **Women's Leadership Program (Kazakhstan):** With a grant from the ECA Bureau, the Center for Safe Energy (CFSE) in Berkeley, California conducted a women's leadership program in Kazakhstan that includes in-country workshops and a subgrants program for women who are active in grassroots citizen initiatives in rural Kazakhstani regions. In FY 2000, the CFSE received 70 applications for subgrant assistance and awarded 17 grants ranging from \$100 to \$1,900 to NGO projects directed by women. The subgrant recipients included NGOs that address health issues, environmental issues, and assistance and protection for soldiers, pensioners, single mothers and the disabled. One grantee's project entitled "The Way to Perfect Health" provides medical and psychological assistance and advocacy for indigent mothers with large families. Through this \$1,300 subgrant, more than 50 women and their families received free medical counseling and attended workshops designed to increase awareness and support the rights of women with large families.
- **Media Internships (Russia):** The International Center for Journalists conducted a successful program for 16 Russian print media professionals. The program's goal was to provide internships that would help Russian newspaper managers find strategies to survive in Russia's tough economy, to discover that fair and ethical news media can nurture a civil society even in difficult times, and to study the relationship between the U.S. media and government. Since their return to Russia, participants of this program have reported financial improvements and the ability to manage staff more professionally. For example, one participant, the publisher of *AIF Udmurtii* in Izhevsk, began to issue special sections that generate additional revenue, and overhauled the advertising department resulting in increased retail sales of 2,200 copies.
- **Online Communities Program (Caucasus Region):** Project Harmony's program for the development of online communities in Armenia, Azerbaijan and Georgia focuses on refugees/internally displaced persons and business development. The online communities are supported by an American program director based in the Caucasus, NIS program coordinators in each country, and two trainers with expertise in each focus area. The program's success results from presenting concrete examples of the Internet tools available and sample Internet-based accomplishments that are relevant to the targeted communities.

In FY 2001, the Office of Citizen Exchanges will continue to support practical training programs for women, with a new emphasis on strengthening regional programs in the Caucasus and Central Asia using experienced NIS trainers from previously funded programs. Two new themes were introduced for FY 2001: media training for Russia, Belarus, Ukraine, Caucasus Regional and Central Asia Regional; and public advocacy training for NGOs and associations that contribute to democracy-building, economic growth and community development for Russia and Belarus.

Separate, limited-source competitions will be held for follow-on programs in women's leadership for Russia, Belarus, Moldova and Ukraine, and to provide additional support to the Online Communities Program in the Caucasus Region and West NIS. Additionally, a follow-on grant will be awarded to continue a distance learning program in Ukraine.

COMMUNITY CONNECTIONS (FSA-funded)

The ECA Bureau's Community Connections Program offers community-based, three- to five-week practical training opportunities with home-stays in the United States for entrepreneurs, local government officials, legal professionals, NGO leaders and other professionals from Russia, Ukraine, Belarus, Georgia, Moldova, Armenia and Kazakhstan. The objectives of the Community Connections Program are to provide participants with exposure to the day-to-day functioning of a democratic, free market system, encourage public-private partnerships in the NIS by including private-sector and government participants in the same programs, and create links between U.S. and NIS regions and communities.

Under the Community Connections Program, English-speaking NIS entrepreneurs are offered individual internships in analogous U.S. businesses, including seminars, consultations and site visits. Programs for professionals who do not speak English are less individualized and more group-focused and are implemented with the assistance of U.S.-based locally hired interpreters. Recruitment is carried out in targeted regions in the participating NIS countries each year by U.S. organizations with resident representatives in those countries, and

takes the form of an open, merit-based competition. Candidates must successfully complete a three-stage selection process that includes a review of applications by a committee of experts in the given field, and an in-person interview conducted by members of the relevant professional community. Finalists are then placed with U.S. community-based organizations, which arrange hands-on internships for them with volunteer host companies or organizations and provide housing with volunteer American families.

In FY 2000, Community Connections arranged programs for approximately 1,750 NIS participants: 60 from Armenia, 100 from Belarus, 90 from Georgia, 70 from Kazakhstan, 140 from Moldova, 790 from Russia, and 500 from Ukraine. Program highlights include the following:

- Artashes Ziroyan of Armenia, Head of the Department of Ecology at the State Botany Institute and President of the Farmers National Union, traveled to Cambridge, Massachusetts in May 2000 on the Community Connections Program. The local program focused on how local and regional governments address environmental issues and how these issues play into effective public administration. In July 2000 after his return to Armenia, he was appointed as a Vice Minister of Ecology by the Armenian Government. The Vice Minister contacted the U.S. Embassy in Yerevan to express his gratitude for the Cambridge program and said that much of what he learned on the program would serve him well in his new position.
- Andrei Tranga was the owner of a struggling open-air café in the Moldovan capital of Chisinau when he took part in the Community Connections program. While in North Carolina, he interned at several local restaurants. He feels his experiences with the Community Connections program gave him deeper knowledge of the food industry, taught him marketing principles and tactics, and helped him to understand what it takes for a small business like his to find a "niche" in the market place. Upon his return, he turned his café into a U.S.-style pizza parlor called "Andy's Pizza," which boasts an Internet-access room adjoining the café. When representatives of the U.S. hosting organization visited Mr. Tranga during a follow-on program, they found the restaurant and Andrei thriving.

PRODUCTIVITY ENHANCEMENT PROGRAM (FSA-funded)

Since 1996, the ECA Bureau has supported the San Francisco-based Center for Citizen Initiatives' (CCI) Productivity Enhancement Program (PEP), which provides month-long management training internships for non-English-speaking Russian entrepreneurs, managers, private farmers, bankers and accountants. Participants are grouped by industry sector. CCI maintains offices in seven Russian cities—Dubna, Voronezh, Vladivostok, Volgograd, St. Petersburg, Yekaterinburg and Rostov—and works very closely with volunteers in U.S. Rotary Clubs to facilitate and coordinate PEP programs in communities across the United States. In FY 2000, 425 participants were funded for travel to the United States under the PEP Program. Russian participants are required to cover a portion of their program expenses.

J. WILLIAM FULBRIGHT PROGRAM (ECA base-funded)

The NIS component of the State Department's Fulbright Program, administered through Fulbright Offices in Moscow and Kiev and by Public Affairs Sections at U.S. Embassies elsewhere in the NIS, provides opportunities for U.S. faculty to teach in the NIS countries and research awards for NIS scholars to study in the United States. A component for U.S. students to study in Russia and Ukraine was recently added. Although the program emphasizes the humanities and social sciences, scholarships also are awarded in biology, chemistry, mathematics, medicine, and related fields. In addition to funding 69 U.S. scholars, 97 NIS scholars, and 24 U.S. students in FY 2000, the program also provided textbooks for use by U.S. grantees at their NIS host institutions. The Fulbright Program offers NIS scholars experience with diversity, perspectives on the American liberal arts curriculum, and a global network of personal and professional contacts. Breakdowns of Fulbright scholars and students by country are provided below:

| COUNTRY | U.S. SCHOLARS | NIS SCHOLARS | TOTAL |
|----------------|----------------------|---------------------|--------------|
| Armenia | 3 | 4 | 7 |
| Azerbaijan | 2 | 3 | 5 |
| Belarus | 3 | 4 | 7 |
| Georgia | 3 | 3 | 6 |
| Kazakhstan | 4 | 8 | 12 |
| Kyrgyzstan | 3 | 5 | 8 |
| Moldova | 3 | 4 | 7 |
| Russia | 30 | 42 | 72 |
| Ukraine | 14 | 20 | 34 |
| Uzbekistan | 4 | 4 | 8 |
| TOTAL | 69 | 97 | 166 |

| COUNTRY | U.S. STUDENTS | NIS STUDENTS | TOTAL |
|----------------|----------------------|---------------------|--------------|
| Russia | 19 | | 19 |
| Ukraine | 5 | | 4 |
| TOTAL | 24 | | 24 |

In FY 2000, U.S. Fulbright lecturers were placed at several NIS academic institutions that had never before hosted an American Fulbright lecturer. A Fulbright Program for U.S. graduate students in Russia, inaugurated in 1999, sent nineteen students during academic year 2000-2001. A Fulbright Program for U.S. students in Ukraine began in 2000 with four persons. The Fulbright Program also supported the second annual conference for American studies specialists from Central Asian countries in June 2000. Scholarships dedicated to minority studies were incorporated into the Fulbright program and provided opportunities for American and NIS scholars to study the role of ethnic and religious minorities in the past, present, and future development of the U.S. and their home countries.

The Fulbright Program brings U.S. lecturers in a wide range of academic disciplines to the NIS countries. In FY 2000, in addition to the more traditional fields of American studies, economics, and business management, U.S. Fulbright lecturers taught courses in environmental sciences (in Armenia and Kyrgyzstan), conflict resolution and public administration (in Georgia), modern journalistic techniques and arts management (in Tashkent and Samarkand, Uzbekistan), child and family services (Kazakhstan), school reform (in Kyrgyzstan), environmental science (in Novosibirsk, Russia), engineering (in St. Petersburg, Russia), and problems of agribusiness in the transition to a market economy (in Ukraine). U.S. Fulbright lecturers also taught courses in community health, criminology, toxicology, and modern urban folklore (in Russia) and national autonomy and cultural identity (in Ukraine). Visiting scholars from Uzbekistan included researchers in marketing research, telecommunications, educational administration, and curriculum development.

NIS COLLEGE AND UNIVERSITY PARTNERSHIP PROGRAM (FSA-funded)

The NIS College and University Partnership Program (NISCUPP) is designed to support mutually beneficial linkages between U.S. and NIS colleges and universities in the following areas: law, business, economics, trade, education, continuing education, educational reform, civic education, public administration, public policy, government, journalism and communications. By promoting curriculum reform and applied research, NISCUPP helps NIS academic institutions contribute to the creation of democratic institutions, the rule of law, and an environment hospitable to foreign investment in their countries. NISCUPP provides grants of up to \$300,000 for U.S. and NIS institutions to exchange faculty and staff for the purpose of teaching, lecturing, faculty and curriculum development, collaborative research and outreach. Cost sharing by the U.S. partner institutions and other sources covers approximately 45 percent of all program costs. In FY 2000, NISCUPP awarded 24 new grants for U.S.-NIS partnerships that will provide exchange opportunities to a total of 322 NIS and 259 U.S. citizens. Four of these grants were awarded to community colleges. A breakdown by country is provided below:

| COUNTRY | NIS Participants | U.S. Participants | TOTAL |
|----------------|-------------------------|--------------------------|--------------|
| Armenia | 14 | 19 | 33 |
| Georgia | 8 | 8 | 16 |
| Kazakhstan | 13 | 17 | 30 |
| Moldova | 24 | 16 | 40 |
| Russia | 100 | 73 | 173 |
| Ukraine | 133 | 108 | 241 |
| Uzbekistan | 30 | 18 | 48 |
| TOTAL | 322 | 259 | 581 |

NISCUPP partnerships develop innovative new curricula that benefit students in both countries. Carnegie Mellon University has been a leader in the use of computer simulations in business education in the United States, and had previously assisted the International Management Institute in Kiev, Ukraine, to introduce the use of computer simulations to its business curriculum. NISCUPP support has enabled Carnegie Mellon and its partners in Ukraine both to create a modified simulation course that reflects the specific business realities in Ukraine and to run joint courses that bring together students from the United States and Ukraine in the same simulation. Because students on both sides benefit from interacting with each other, Carnegie Mellon intends to continue operating joint classes with its own resources after the conclusion of the grant.

Successful NISCUPP partnerships potentially impact not only the participating institutions, but also educational policy for entire countries. In 1999, Bard College was awarded a NISCUPP grant to support the development of Smolny College. Smolny College, a branch of St. Petersburg State University, is the first institution to offer a liberal arts bachelor's degree in Russia, providing degrees in social sciences, humanities, and arts. Students are expected to develop critical skills and think creatively, while pursuing studies from 26 fields, and course-work taught both in Russian and English. The NISCUPP grant to Bard College complements significant support for Smolny College by the Open Society Institute. In April 2000, Smolny College received accreditation from the Russian Ministry of Education to offer Russia's first Bachelor of Arts in Liberal Arts degree. The accreditation was accompanied by the creation of a Methodological Commission, chaired by the Rector of St. Petersburg State University, which will act as an accreditation authority for the creation of additional liberal arts programs at Russian State Universities. (This Bard-Smolny partnership was prominently featured in the "Education Life" section of the *New York Times* on April 4, 2000.)

NISCUPP partnerships also benefit local communities in the NIS. The University of New Mexico is currently partnered with Kazakhstan State Academy of Management, Kazakhstan, and Urals State Technical University, Russia in an effort to build bridges between the academic and scientific communities to support the transition of former weapons scientists into employment in the private sector. These projects provide academic training to university faculty on business skills and project management, while also promoting employment of the scientific community and encouraging investment in the region. One of their current projects should result in the establishment of a plant in Snezhinsk, Russia that will produce new x-ray and CAT scan technologies.

PARTNERS IN EDUCATION (FSA-funded)

Established in June 1997, the ECA Bureau's Partners in Education (PiE) Program seeks to improve the content and methodology of citizenship education in schools in Kyrgyzstan, Russia, Ukraine and Uzbekistan. The PiE Program familiarizes English-speaking civic education and social science teachers, administrators and teacher-trainers with U.S. approaches to civics. PiE participants are selected through an open, merit-based competition, and travel to the United States for a six-week program consisting of an intensive school-based internship and a series of professional development workshops. In FY 2000, 130 NIS educators participated.

PiE participants stay with American families and are hosted by U.S. universities, secondary schools, private organizations and U.S.-NIS school and university partnerships. In exchange for hosting the NIS educators, 26 U.S. host-school administrators will participate in two-week follow-up programs in the NIS to be designed in collaboration with the NIS educators. In FY 1999, the PiE Program was expanded to include a three-week school directors' program for 24 non-English-speaking directors from participating schools in Russia and Ukraine. In FY 2000, the PiE Program funded a total of 127 participants, who will participate in the 2001-02 program cycle. A breakdown of participants by country is provided below:

| COUNTRY | NIS Educators | U.S. Educators | NIS School Directors | TOTAL |
|----------------|----------------------|-----------------------|-----------------------------|--------------|
| Kyrgyzstan | 14 | 4 | | 18 |
| Russia | 36 | 8 | 12 | 56 |
| Ukraine | 25 | 6 | 10 | 41 |
| Uzbekistan | 10 | 2 | | 12 |
| TOTAL | 85 | 24 | 18 | 127 |

A total of 50 NIS educators in eight regional groups successfully completed their internships in Spring 2000. The groups, which were placed in Arizona, Illinois, Iowa, North Carolina, and Washington, each produced curricula or lessons for their home institutions.

In 2000, the American Councils for International Education (ACIE, formerly ACTR/ACCELS) and ECA formalized the procedure for former participants to apply for alumni grants. Old Dominion University applied for a grant to arrange a conference on "Linking U.S. and Russian Culture through Civics Education" in Novosibirsk. Russian hosts will be PiE teachers who traveled to Tidewater, Virginia in Spring 1999. Also, St. Norbert's College in DePere, Wisconsin applied for a grant to bring two teachers from Kharkiv back to their community to collaborate on a journal article and video comparing education systems and social studies teaching in the U.S. and Ukraine.

In March 2000, ACIE hosted a conference in St. Petersburg entitled "From Ideas to Involvement: Creating Social Capital Through Civic Participation" that was attended by PiE alumni. The conference brought together Russian and U.S. experts, including one former host coordinator from Purdue University. It also offered teacher training workshops and civil initiatives seminars.

NIS EDUCATIONAL ADVISING CENTERS (FSA- and ECA base-funded)

The Department of State's Educational Information and Resources Branch promotes the participation of NIS students and scholars in U.S. academic programs by supporting a network of 61 educational advising centers throughout the NIS. ECA provides books, materials, equipment and training to all 61 centers, 15 of which also receive direct financial support through cooperative agreements. Services provided to students by the advising centers include group and individual advising on educational opportunities in the U.S., pre-departure orientations, lectures on special-interest topics, outreach, educational fairs, alumni activities, and computer-based testing. The centers, which are open to everyone, also provide information about U.S. Government-sponsored exchange programs.

The Educational Information and Resources Branch also works to strengthen the administration of educational exchanges between the United States and the NIS, and facilitates cooperation between NIS educational advisers and their U.S. counterparts. In FY 2000, NIS educational advisers participated in the annual NAFSA Association of International Educators conference and U.S.-based training program, the Regional Linkage program, a training workshop for advisers from Russia, and individual training programs organized by the Regional Educational Advising Coordinator (REAC) for the NIS. New advisers were familiarized with the U.S. system of higher education, while experienced advisers were able to tailor their individual programs to pursue contacts with U.S. university and educational organization representatives. Mid-level adviser training included an internship at a U.S. educational institution.

Monthly statistics sent by advising centers showed increases in the numbers of visits by students and scholars interested in studying in the United States, with the highest volumes of visitors in Moscow (53,000 visitors per year); Kiev (20,000 per year); Dushanbe, Tajikistan (24,000 per year); and Tbilisi, Georgia (over 20,000 per year). Similarly, the number of NIS students studying in the U.S. increased for every NIS country in FY 1999 (FY 2000 figures not yet available), ranging from a 2.6-percent increase in Kazakhstan, to a 61.8-percent increase in Uzbekistan.

CIVIC EDUCATION CURRICULUM DEVELOPMENT PROGRAMS (FSA-funded)

Armenia: The University of Iowa cooperated with six Armenian educators to draft, revise and field-test seven civic education units for Armenian seventh-grade students. All project activities involve substantial cooperation with the Armenian Education Ministry's Center for Educational Reform. The University of Iowa published 19,000 copies of civic education materials, organized two teacher training workshops in Armenia, and provided support

for a conference held in Yerevan in June 2000. The International Research and Exchanges Board is continuing to work with the Armenian Ministry of Education to administer a project designed to contribute to the development of elementary-level curricula for grades K-3 in the core subject areas of Mathematics, Language Arts, Natural Sciences, Arts, and Physical Education and to provide elementary in-service and pre-service teachers with instruction in teaching methodology and practices at a newly created Educational Development Center. Activities have included a teacher-training and curriculum development workshop in the U.S., pilot testing of the elementary materials and teacher handbook in 18 test schools, organization of specialized workshops for 6 team leaders, and monthly teacher training seminars in each of the six pilot school regions that include both rural and urban areas of the country.

Azerbaijan: In cooperation with the American Councils for International Education (ACIE, formerly ACTR/ACCELS) and Bozeman (Montana) Public Schools, Montana State University is working with 25 Azerbaijani teachers to develop civic education curriculum materials and to train these teachers to present the curriculum. This two-year project is designed to support the development and utilization of new curriculum units for civic education courses for tenth- and eleventh-grade students in Azerbaijan.

Georgia: The University of Iowa is working with the English Teachers Association of Georgia (ETAG) to coordinate a project designed develop a civic education curriculum for elementary-level students and to provide training of elementary-level teachers in the use of civic education curriculum materials.

Moldova: The University of Iowa's College of Education is supporting the development of a curriculum framework and accompanying instructional material for teacher educators and secondary-level teachers in Moldova. Project activities include an intensive curriculum development workshop for six Moldovan educators and will lead to field-testing of the new materials in eight Moldovan schools and a final summary conference on civic education in Chisinau that will publicize the results of the project and provide continued training in their use.

Russia: Since FY 1996, the University of Hawaii has been working with educators in Krasnoyarsk to develop, field-test and implement a secondary-school civic education curriculum. The materials have been revised, field-tested, and evaluated in Russia by regional educators and also by education experts outside Krasnoyarsk through a national steering committee. During the course of the project, over 200 teachers will be trained in the implementation of the materials, with a significant percentage of the teachers coming from small towns in the Krasnoyarsk Kray (Territory). In FY 2000, the Russian Ministry of Education approved the civics curriculum developed by this project as meeting the requirement in law for secondary school graduation.

An estimated 41 U.S. and NIS citizens will participate in exchange activities under these civic education grants, with an additional 425 citizens of countries in the NIS taking part in the training components. A breakdown by country is provided below:

| COUNTRY | NIS Participants | U.S. Participants | TOTAL |
|----------------|-------------------------|--------------------------|--------------|
| Armenia | 6 | 3 | 9 |
| Azerbaijan | 6 | 2 | 8 |
| Georgia | 6 | 6 | 12 |
| Moldova | 6 | 2 | 8 |
| Russia | 3 | 1 | 4 |
| TOTAL | 27 | 14 | 41 |

FSA UNDERGRADUATE EXCHANGE PROGRAM (FSA-funded)

The ECA Bureau's FSA Undergraduate Program provides grants to NIS citizens for one year of non-degree undergraduate study in the United States in a number of areas, including agricultural and environmental management, American studies, business, computer science, economics, education methodology, journalism/mass communications, political science, and sociology. First-year students apply for scholarships to community colleges, while more advanced students compete for scholarships at four-year college and university programs. Academic studies are enhanced through community service activities, a practical internship, and an end-of-year workshop. Participants indicated that the community service activities were among the most eye-opening components of the program, giving them first-hand experience with the American approach to helping those in need. Recruitment for the 2000-2001 cycle of the FSA Undergraduate Program yielded almost 7,000 applications from students all over the NIS—an increase of 11% over FY 1999. In FY 2000, the program funded

308 participants: 22 from Armenia, 17 from Azerbaijan, eight from Belarus, 31 from Georgia, 15 from Kazakhstan, 11 from Kyrgyzstan, 10 from Moldova, 46 from Russia, five from Tajikistan, six from Turkmenistan, 128 from Ukraine and nine from Uzbekistan.

U.S.-RUSSIAN YOUNG LEADERSHIP FELLOWS FOR PUBLIC SERVICE (FSA-funded)

The U.S.-Russian Young Leadership Fellows for Public Service Program began in FY 1999 as an initiative to provide practical experience in developing personal leadership skills and promoting the importance of community responsibility for young Russian and American students. The program enriches the experience and education of young people who show the promise of contributing to the betterment of their own countries and to increased mutual understanding between the two countries. The program combines academic course-work with complementary community service and an internship, and targets Russian and American college graduates who have demonstrated leadership skills and an interest in public service. The program provides full scholarships for one year of non-degree study in the United States or Russia at qualified universities and colleges. The Russian and American students have different but complementary program designs. Russian students select a concentration in either Community Affairs, Governmental Affairs, or Corporate Affairs. American students focus on Russian Studies. In August 2000, 47 Russian and 18 Americans began their year-long program.

EDMUND S. MUSKIE / FSA GRADUATE FELLOWSHIP PROGRAM (FSA- and ECA base-funded)

The Muskie/FSA Graduate Fellowship Program provides highly-qualified NIS graduate students and professionals with opportunities for one to two years of study in U.S. master's degree programs in the fields of business administration, economics, education, environmental management, international affairs, journalism and mass communications, law, library and information science, public administration, public health and public policy. Candidates are recruited through an open, merit-based competition administered by the American Councils for International Education (ACIE, formerly known as ACTR/ACCELS) and the Open Society Institute (OSI). U.S. host campuses are also selected through an open competition and generally provide tuition waivers of fifty to sixty percent. There are typically at least ten times more applicants than available Muskie/FSA fellowships in most NIS countries. The accomplishments of Muskie/FSA program alumni are often front-page news in their home countries, and they actively participate in ECA-supported alumni activities. In FY 2000, a total of 367 participants from the NIS traveled to the United States on Muskie/FSA Graduate Fellowships (an additional 12 participants from the Baltic States participated in the program under SEED and ECA base funding and OSI cost share). A breakdown by country and funding source, as well as program highlights, follow:

| COUNTRY | FSA-funded | Base-funded | TOTAL |
|----------------|-------------------|--------------------|--------------|
| Armenia | 42 | | 42 |
| Azerbaijan | 48 | | 48 |
| Belarus | 9 | | 9 |
| Georgia | 29 | | 29 |
| Kazakhstan | 17 | | 17 |
| Kyrgyzstan | 12 | | 12 |
| Moldova | 10 | | 10 |
| Russia | 17 | 53 | 70 |
| Tajikistan | 5 | | 5 |
| Turkmenistan | 5 | | 5 |
| Ukraine | 52 | | 103 |
| Uzbekistan | 17 | | 17 |
| TOTAL | 314 | 53 | 367 |

CONTEMPORARY ISSUES FELLOWSHIP PROGRAM (FSA-funded)

The ECA Bureau's Contemporary Issues Fellowship Program, which is administered by the International Research and Exchanges Board (IREX), targets NIS government officials, NGO leaders and private-sector professionals who are engaged in the political, economic, social or educational transformation of their countries. Through an open, merit-based competition, the program provides participants with an opportunity to conduct research and participate in professional conferences and public forums on a range of topics, including sustainable growth and economic development; democratization, human rights and the rule of law; political,

military, security and public-policy issues; strengthening civil society; Internet; the communications revolution; and intellectual property rights. Fellows are placed in four-month-long programs at U.S. universities, think tanks, NGOs, and U.S. Government offices and are matched with U.S. host advisors, who guide their research and professional development. Over one thousand qualified applications were received for the 77 fellowships awarded in FY 2000. Of these 77 finalists, seven were from Armenia, two from Azerbaijan, three from Belarus, seven from Georgia, five from Kazakhstan, five from Kyrgyzstan, seven from Moldova, 15 from Russia, three from Tajikistan, two from Turkmenistan, 16 from Ukraine and five from Uzbekistan.

FY 2000 program highlights include a participant from Yerevan, Armenia who briefed Capitol Hill on a bill supporting the development and expansion of international economic assistance programs that utilize cooperatives and credit unions. Contemporary Issues alumni are active in forming associations, such as the Association of Uzbekistan for Sustainable Water Resources Development that supports water management professionals.

REGIONAL SCHOLAR EXCHANGE PROGRAM (ECA base-funded)

The Regional Scholar Exchange Program (RSEP) is an open, merit-based competition that selects NIS and U.S. junior and mid-level university faculty, researchers, and scholars in the social sciences and humanities for four- to six-month fellowships at U.S. and NIS institutions, respectively. NIS Regional Scholars are placed at U.S. universities, while U.S. Regional Scholars are placed at universities and research institutes in the NIS. Regional Scholars are matched with host advisors who guide their research and professional development. RSEP fellows conduct research on specific topics in the social sciences and humanities, write academic papers, articles and books, and deliver lectures, with the goal of contributing to the further development of higher education and scholarship in their home countries. For example, a Regional Scholar from Kazakhstan is organizing an International Summer Language School in Almaty that will offer courses in Central Asian languages and coordinate these courses with American universities. Another Regional Scholar from Russia is working on a collaborative project with Ramapo College in New Jersey and is developing course materials for Volgograd Pedagogical University. RSEP is awarding 80 fellowships to NIS scholars and 11 fellowships to U.S. scholars in FY 2000. The breakdown of the NIS scholars by country is as follows: 21 from Russia, 17 from Ukraine, six from Kazakhstan, and four each from Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan.

RSEP is administered for the ECA Bureau by the American Councils for International Education (ACIE, formerly known as ACTR/ACCELS) and the Kennan Institute for Advanced Russian Studies. As part of the Regional Scholar Exchange Program, the Kennan Institute annually awards the Galina Starovoitova Fellowship to a prominent Russian scholar or policy maker who successfully bridges the world of ideas and public affairs to advance human rights and conflict resolution in Russia.

SECONDARY SCHOOL EXCHANGE AND PARTNERSHIP PROGRAMS

The NIS Secondary School Initiative supports exchanges of high school students and educators between the United States and the NIS through three major programs: the Future Leaders Exchange (FLEX) Program, School Partnership Program, and Teaching Excellence Awards (TEA). Additionally, in FY 2000 the Initiative expanded an Internet connectivity program with Armenia and launched a model school program for Georgia. The long-term objectives of these programs are as follows: (1) foster interaction between U.S. and NIS secondary school students to promote mutual understanding; (2) integrate NIS citizens into the world community by helping them build open societies and promote democratic values and institutions in their home countries; (3) build sustainable partnerships between U.S. and NIS school systems and private organizations; and (4) promote NIS educational reform and citizen empowerment.

FUTURE LEADERS EXCHANGE (FLEX) PROGRAM (FSA- and ECA base-funded)

Under the ECA Bureau's highly popular FLEX Program, also known as the Bradley Program (in honor of sponsor former Senator Bill Bradley), students from all 12 NIS countries live with U.S. host families and attend U.S. high schools for one academic year. FLEX participants are placed in all 50 states and take part in local civic education and community service activities. In FY 2000, the number of initial applicants for the program increased by 14 percent to a record 48,922 for the 1,155 slots in the 2000-2001 program cycle. Also in FY 2000, a group of 107 FLEX participants in the 1999-2000 program cycle were selected, on the basis of an essay

contest, to take part in a week-long civic education workshop in Washington, D.C., in April, which was organized by the Close Up Foundation. While in Washington, the FLEX participants met individually with 60 members of the U.S. Congress from their U.S. host states, as well as with many Congressional staffers. A breakdown of participants in the 2000-2001 program cycle follows:

| COUNTRY | FSA-funded | Base-funded | TOTAL |
|----------------|-------------------|--------------------|--------------|
| Armenia | 50 | | 50 |
| Azerbaijan | 42 | 13 | 55 |
| Belarus | 36 | 13 | 49 |
| Georgia | 50 | | 50 |
| Kazakhstan | 45 | 13 | 58 |
| Kyrgyzstan | 33 | 7 | 40 |
| Moldova | 28 | 7 | 35 |
| Russia | 295 | 28 | 323 |
| Tajikistan | 17 | | 17 |
| Turkmenistan | 31 | 7 | 38 |
| Ukraine | 390 | 10 | 400 |
| Uzbekistan | 40 | | 40 |
| TOTAL | 1,057 | 98 | 1,155 |

In FY 2000, the FLEX Program continued to recruit students with physical disabilities. At a workshop in May, disabled participants in the 1999-2000 program rated their U.S. experience as very positive and returned home committed to working for equality and empowerment of the disabled.

The focus on alumni remains a major objective of the FLEX Program. ECA launched a strategic evaluation of the impact of the program on alumni from the early years. On April 16, 2000, Secretary of State Madeline Albright visited with 15 FLEX alumni at the American University of Kyrgyzstan. In a subsequent editorial in the *Boston Globe*, Secretary Albright called attention to the outstanding questions posed by FLEX alumni during their discussion with her. In spring 2000, eight alumni from the Republic of Georgia participated in a campaign (*Got to Vote*) intended to encourage youth involvement in the upcoming election. Also in Kyrgyzstan, 35 FLEX alumni worked as election monitors in February. Armenian alumni helped communities establish parent teacher associations to encourage community involvement in the schools. During FY 2000, 14 FLEX alumni in St. Petersburg delivered civic education lectures in local schools. Topics covered included economics, ethnic and gender issues, and cultural tolerance.

The FLEX Program generated an estimated \$9 million in cost-sharing and in-kind contributions in FY 2000 mostly by host families and schools. FLEX students performed more than 18,000 hours of community service in their U.S. host communities during the 1999-2000 school year.

SECONDARY SCHOOL PARTNERSHIPS (FSA-funded)

The ECA Bureau's secondary school partnership programs support the establishment and expansion of linkages between U.S. and NIS secondary schools through substantive collaborative projects and student and educator exchanges. These exchange programs are generally reciprocal three- to four-week group visits. The collaborative projects have a thematic focus and tangible outcomes, such as the production of new educational materials. In FY 2000, secondary school partnership projects focused on democracy and globalization, leadership development, community service, civic education, clean communities, health education, computer technology, agricultural and environmental education, and entrepreneurship. In FY 2000, ECA awarded a total of 13 partnership grants under its two secondary school partnership programs. The ECA Bureau's Secondary School Partnership Program (SSPP) is competed openly, while the Secondary School Excellence Program (SSEP) promotes new and continuing linkages with the home institutions of ECA Teaching Excellence Awards national winners and their U.S. counterparts. (Please see Teaching Excellence Awards section below.) In FY 2000, a total of 537 NIS and 541 U.S. students and teachers took part in exchanges under the ECA Bureau's secondary school partnership programs. A breakdown of participants by country follows:

| COUNTRY | NIS Participants | U.S. Participants | TOTAL |
|----------------|-------------------------|--------------------------|--------------|
| Armenia | 12 | 12 | 24 |
| Azerbaijan | 25 | 25 | 50 |
| Belarus | 11 | 11 | 22 |
| Georgia | 18 | 18 | 36 |
| Kazakhstan | 10 | 10 | 20 |
| Moldova | 28 | 25 | 53 |
| Russia | 285 | 289 | 574 |
| Ukraine | 128 | 131 | 259 |
| Uzbekistan | 20 | 20 | 40 |
| TOTAL | 537 | 541 | 1,078 |

ECA launched a small initiative in 1999 to develop partnerships between U.S. schools and those in nuclear cities in Russia under the School Partnership Program. The U.S. Department of Energy contributed partial funding for these partnerships under the Nuclear Cities Initiative. As the Ministry of Atomic Energy withdraws its support of the nuclear industry in these cities, the citizens are becoming increasingly interested in engaging with the outside world and seeking new economic and educational opportunities for their communities. School districts in Los Alamos, New Mexico, and in Morris, Minnesota, brought students and teachers from these closed cities into contact with their peers in the United States through these reciprocal exchanges.

In the Secondary School Excellence Program, the schools of Teaching Excellence Award program winners are matched for the reciprocal exchange of students. These partner schools work on joint projects, many of which illustrate citizen involvement in their own governance. For example, a group of students from Rivne School No. 15 in Ukraine presented a proposal they wrote with their American partners at North Hollywood High School in California to regional administrators in Rivne, suggesting their high school provide a social support system and youth services.

TEACHING EXCELLENCE AWARDS (FSA-funded)

The ECA Bureau's Teaching Excellence Awards (TEA) Program recognizes and rewards talented secondary school teachers in the fields of English language and American studies in NIS countries. Six countries participated this year: Kazakhstan, Kyrgyzstan, Russia, Turkmenistan, Ukraine and Uzbekistan. Nominations are elicited in all oblasts (regions) of the participating countries, and nominees are screened by local committees. Regional winners receive educational equipment and materials for their schools, and those chosen as national finalists travel to the U.S. for a seven-week professional enrichment program. This summer, 75 NIS national winners participated in the U.S. program, at which time they had a chance to interact with 24 of the finest American educators, all winners of independent U.S. competitions for excellence in teaching. The U.S. teachers then traveled to the NIS on two-week professional programs in fall 2000. In addition to contributing to the development and reform of educational systems in the participating countries and promoting mutual understanding, the TEA Program generates considerable publicity for U.S. Government assistance to the NIS and provides moral, material and professional support to an important but under-recognized profession.

In FY 2000, a total of 1,104 teachers were recognized in the first round of competition, of whom 385 received regional awards in the second round. Seventy-five of these became national finalists, winning the chance to take part in the professional program in the United States in July-August 2000. A breakdown of participant numbers by country is provided below:

| COUNTRY | First-Round Winners | Regional Semi-Finalists | National Finalists | U.S. Awardees |
|----------------|----------------------------|--------------------------------|---------------------------|----------------------|
| Kazakhstan | 118 | 42 | 10 | 3 |
| Kyrgyzstan | 28 | 22 | 5 | 2 |
| Russia | 608 | 190 | 30 | 9 |
| Turkmenistan | 39 | 24 | 5 | 2 |
| Ukraine | 231 | 65 | 15 | 4 |
| Uzbekistan | 80 | 42 | 10 | 3 |
| TOTAL | 1104 | 385 | 75 | 23 |

TEA program alumni remain active in sharing what they have learned with colleagues, students and community members by giving presentations, organizing seminars, publishing articles, and taking leadership roles in professional organizations. Examples: a TEA 1997 winner from Novosibirsk, Russia helped to lead an international conference on community schools and education policy in transition countries during the twenty-first century, where she ran several workshops, including one on international cooperation in the community schools movement. A TEA 1999 participant from Kazakhstan was elected president of the regional English Teachers Association. A 1998 TEA alumna in Kerch, Ukraine gave a presentation on problems and models of transition to twelve-year education in Ukraine at a conference in Kiev in June 2000.

A number of TEA alumni work energetically to carry out projects that developed out of their program experiences. A TEA 1999 teacher in Uzbekistan obtained grants to fund a language learning resource center in her town, focusing not only on English language and American Studies materials, but also on resources designed to promote discussion of civic and community-related issues and the development of youth leadership. In Samara, Russia, a TEA 1997 participant started a summer language school with a focus on personal development, change and values that draw 70 students each year. She also designed a new American Studies course based on the integrated approach learned during her U.S. program at the University of Delaware.

Teachers continue to be in contact in various ways and some undertake linkage projects between their schools. The TEA program encourages this with support of alumni activities and an e-mail discussion group, and there are some follow-on program opportunities (see SSEP, above). A U.S. teacher, TEA 1998, from Indiana initiated a pen pal exchange between her school and the host school in Kirovsk, Russia. Her school then raised money to ship ten computers to the Russian school so communication could continue by e-mail rather than regular mail. TEA 1998 partner teachers from Connecticut and Samarkand, Uzbekistan, began a self-funded exchange last year with the visit of members of the Samarkand school to Connecticut. This year American teachers and students traveled to Samarkand, where, among other things, they participated in a round-table for TEA alumni and celebrated the Fourth of July with their host school.

ARMENIA SCHOOL CONNECTIVITY PROGRAM (FSA-funded)

The ECA Bureau initiated this program in FY 1998 to assist the successor generation in developing the skills and knowledge to transform Armenia by providing schools with access to the Internet as a teaching tool. The objectives were to provide six schools with computer hardware and Internet connectivity, to train Armenian faculty and secondary school students to use Internet resources for academic purposes, and to develop curricula in civic education, American history and culture, and English teaching for use in Armenian secondary schools. A highlight was the reciprocal exchange of 24 teachers (12 U.S. and 12 Armenian) between paired Armenian and U.S. schools so that they could share ideas on using the Internet in the classroom to promote democratic values.

The program met and exceeded all expectations. Instead of equipping merely six schools with computers and connections and providing their faculty with training and curriculum materials, twelve schools were brought into the program. This was possible due to the efficient management of funds by the grantee institution, American Councils for International Education (ACIE, formerly known as ACTR/ACCELS) and to the contributions of other organizations such as Soros (OSI), which provided some of the training. Some of the U.S. partner schools arranged the donation of additional computer equipment. This program not only is continuing but also is being expanded: an FY 2000 grant to Project Harmony will provide up to 50 schools, some in very remote parts of Armenia, with connectivity, training, and curricula.

The Armenia School Connectivity Program is a high-profile program for the U.S. Embassy. The official openings of the computer laboratories at the participating schools have put a visible and positive emphasis on U.S. assistance to Armenia. The computer centers are bright, attractive and well used, even after school hours; in fact, Embassy officials have found that even on impromptu visits they discover many students actively using the laboratories for research. Students who have taken the training are tested regularly and the top scorers are eligible to become part of the Internet Club, which pursues even more ambitious projects, such as website design. All of the schools have developed their own websites and several have set up an on-line journal for regular correspondence with their partner schools in the United States. The trainers and monitors have observed that many of the students are so motivated by the opportunities provided to them by the Internet that they quickly surpass their teachers proficiency on the computer and progress from not knowing how to double-click a mouse to using HTML in a span of only a few months.

GEORGIAN “AMERICAN ACADEMY” MODEL SCHOOL PROJECT (FSA-funded)

In FY 2000, ECA provided a new grant to help support the establishment of a model high school in Georgia that would be based on the best practices and principles of American education. The school is intended to be a positive force for change in the Georgian educational system, as well as an academy that will shape new generations of Georgian citizens -- young people who are leaders and who will be actively engaged in Georgia's transition to a democratic, free-market society. The ECA Bureau's grant to the Georgian Association in the USA is primarily for the professional training of the first core group of teachers. Under the grant, five Georgian teachers participated in a summer internship at Phillips Exeter Academy, then went on to intensive academic year programs at the Harvard and Simmons Schools of Education. The grant also covers related ongoing activities involving these teachers and the U.S. and Georgian project.

JUNIOR FACULTY DEVELOPMENT PROGRAM (FSA- and ECA base-funded)

The ECA Bureau's Junior Faculty Development Program (JFDP) offers fellowships to university instructors from Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine and Uzbekistan. Fellows are selected through an open, merit-based competition and attend U.S. universities for one academic year to work with faculty mentors and audit courses in order to develop new curricula and approaches to teaching in their fields of study. The JFDP encourages its Fellows to forge professional relationships between the American academic community and their colleagues in their home countries, and to share their experience and knowledge with American students and professors. Throughout their stay in the United States, JFDP Fellows attend conferences and seminars, and participate in two-month practical internships after completing the academic component of the program. The goals of the program are to exchange ideas on curriculum design and teaching between U.S. scholars and scholars from the participating countries, and to increase collaboration and cooperation between universities in the United States and in the NIS. Only university instructors in the following fields of study may apply to the JFDP: American studies, arts management, architecture & urban planning, business administration, cultural anthropology, economics, education administration, environmental studies, history, journalism, law, library science, linguistics, literature, philosophy, political science, psychology, public administration, public policy and sociology.

The American Councils for International Education (ACIE, formerly known as ACTR/ACCELS) receives a grant from ECA to administer the JFDP for the Department of State. For more information on the JFDP, please visit ACIE's website at <http://www.actr.org>. A breakdown of FY 2000 JFDP participants is provided below:

| COUNTRY | FSA-funded | Base-funded | TOTAL |
|--------------|------------|-------------|-----------|
| Armenia | 3 | | 3 |
| Azerbaijan | 7 | | 7 |
| Georgia | 3 | | 3 |
| Kazakhstan | 5 | | 5 |
| Kyrgyzstan | 3 | | 3 |
| Moldova | 3 | | 3 |
| Russia | 2 | 40 | 42 |
| Ukraine | 16 | 7 | 23 |
| Uzbekistan | 3 | | 3 |
| TOTAL | 45 | 47 | 92 |

In its seven-year history, the JFDP has produced a large number of active and highly motivated alumni. Statistics gathered on JFDP alumni between 1994 and 1997 show that 73 percent of the participants have developed at least one new course at their home universities as a result of their participation in the program. From 1998 to 2000, this number grew to 98 percent. Between 1994 and 1997, 86 percent of JFDP participants revised existing courses at their home universities, while 90 percent did so between 1998 and 2000. Instructors from 134 universities across the NIS participated in the JFDP between 1998 and 2000. JFDP participants have been placed at 53 U.S. universities from 1998-2000. One JFDP alumnus from Ukraine has established the country's first career counseling center, at the Odesa State Polytechnic University in March 2000, and an alumna from Russia opened a Center for Grant Writing and Project Management at Kuban State University.

ENGLISH LANGUAGE PROGRAMS (FSA- and ECA base-funded)

The ECA Bureau's English Language Programs complement the full range of U.S. Government-funded FSA exchange programs by improving English-teaching capabilities in the NIS. For example, in FY 2000, five English as a Foreign Language (EFL) Fellows were placed in Russia to concentrate on improving the teaching of Business English in conjunction with the Russian Government's Presidential Management Training Initiative (PMTI) at Moscow's Higher Economic School and Academy of National Economy, St. Petersburg State University, Kazan State University, Ural State Technical University, and the Irkutsk Academy of Economics. A breakdown of EFL Fellows and English Teaching Fellows (ETF) by country is provided below:

| COUNTRY | EFL Fellows (FSA-funded) | EFL Fellows (Base-funded) | ETF Fellows (Base-funded) | TOTAL |
|--------------|-----------------------------|------------------------------|------------------------------|----------|
| Azerbaijan | | | 1 | 1 |
| Kazakhstan | 1 | | | 1 |
| Russia | 5 | | | 5 |
| Ukraine | | 1 | 1 | 2 |
| TOTAL | 6 | 1 | 2 | 9 |

In Russia during FY 2000, the EFL Fellows organized and conducted five conferences, workshops, and seminars in Arkhangelsk, Nizhniy Novgorod, Vladivostok, Kazan and St. Petersburg. Workshops and seminars in four cities focused on business English in conjunction with the PMTI Program. Three conferences of regional language teacher organizations were held in St. Petersburg, Nizhniy Novgorod, and Vladivostok. Attendance for all conferences was in excess of 600 participants.

USAID GLOBAL TRAINING FOR DEVELOPMENT (GTD)

USAID-funded training programs were conducted in the NIS countries from 1993 to 1997 under the NET Project and have been conducted under the GTD Project since 1997. Both projects have been implemented by the Academy for Educational Development in Russia and three other regions: the Caucasus (Armenia, Azerbaijan and Georgia), Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan), and the Western NIS (Belarus, Moldova and Ukraine).

In FY 2000, there was a substantial increase in in-country training with a focus especially in the Caucasus and Central Asia on regional programs aimed at seeking solutions to common issues and problems. These programs promote cooperation and collaboration among the countries, strengthen personal and professional networks, and serve to lay the groundwork for reconciliation and peace building.

A number of study tours and conferences took place in Eastern Europe—including Poland, the Czech Republic, Latvia, and Croatia—which allowed participants to examine different models and practices as implemented in these countries in areas such as press freedom, social reform and social safety net issues, and NGO strengthening. Most notable was the conference held in Warsaw, Poland, "Partners in Transition: Lessons for the Next Decade," which brought together senior reform leaders from all sectors of the NIS and Eastern Europe. The conference was the first in a series of meetings on reform and marked a ten-year anniversary of the beginning of transition to democratic and market-oriented economies in the former Eastern Bloc. Participants shared their experiences in meeting the challenges of transition and strengthened personal and professional relationships with colleagues throughout the region facing similar challenges.

All USAID-funded training programs support Mission and Bureau Strategic Assistance Areas. Selected programs implemented in FY 2000 under each of USAID's Strategic Assistance Areas (SAAs) are summarized below:

Economic Restructuring

Economic restructuring remained the main focus area of training programs in the NIS region. The training in the Caucasus was aimed at the development of small and medium enterprises and included programs in business and entrepreneur skills development, agricultural marketing, and borrowing and managing funds. In Central Asia, the participants were trained in issues dealing with privatization; fiscal reform, bank restructuring and

auditing; budgetary and monetary policies; tax administration, auditing, and international accounting standards. In the Western NIS region, the emphasis was on banking institutions, as well as financial strategic planning and budgeting for municipal managers and administrators.

- Following a training in professional association development, a number of Georgian participants established the Transcaucasian Federation of Business and Professional Associations aimed at promoting the participation of associations in drafting legislation; fostering effective cooperation with the executive branch; promoting open information exchange with the public; and creating opportunities for the quick resolution of problems.
- As a result of courses in International Accounting Standards (IAS), new balance sheets have been introduced at the largest commercial banks and new IAS are being implemented in banks throughout Tajikistan.
- Following a course on IAS in Uzbekistan, a participant drafted the law on auditing and several provisions on the improvement of audit practices, which were included in the Cabinet of Ministers' resolution.

Democratic Transition

Under the umbrella of democratic transitions, all three regions emphasized programs on NGO strengthening, including the development of partnerships between NGOs and the government, and NGO management, constituencies, advocacy, and governance. Central Asia and the Caucasus conducted numerous programs on women's issues, including the role of women in society, NGO leadership, and political leadership. Strengthening the role of the independent media remained an important topic with programs covering issues such as journalist association development, economic journalism, freedom of information, media management, and election coverage.

- The Southern Caucasus Women's Leadership 2000 Regional Workshops brought together women NGO and community leaders from Armenia, Azerbaijan and Georgia for three workshops, each held in one of the capital cities (Yerevan, Baku and Tbilisi). The purpose of the workshops was to promote regional cooperation, collaboration, and networking among the NGOs. The participants examined issues related to conflict resolution, peace-building techniques, and promoting and creating business opportunities.
- Following a program on collaboration between the government and the NGO sector, a group of participants drafted five laws dealing with NGO governance in Uzbekistan. When the National Development Plan of the Republic of Uzbekistan was adopted, it included all five recommendations submitted by the participants.
- Following a study tour for Armenian defense attorneys, a participant established an NGO, *Defending the Rights of Women and Children*, which provides free legal counsel and education to women and children on their rights, including the right to social security, the right for protection, and the right to be free of violence.
- A group of Armenian participants established the Association of Investigative Journalism, which involves representatives from several media organizations. The intent is to train journalists in the area of investigative journalism and protect their professional rights.
- A participant working with the Committee on Foreign Relations in the Georgian Parliament contributed to the preparation of several international and domestic agreements dealing with counterfeit currency, fundamental rights and freedoms, prevention of torture and inhuman treatment, protection of archaeological heritage, and access to information and public participation in decision-making. All these agreements were approved between 1999 and 2000.
- Following a program on appellate advocacy, five law students established the Kazakhstan Association of Young Lawyers, which includes fifty official members and about eighty active supporters. The association has been registered.
- As a result of the program "NGOs in Post-Conflict Societies," a participant from Tajikistan established a training center named Manizha as an NGO. Manizha has developed and conducted numerous courses and

seminars on NGO development and project design, leadership skills and conflict management for female university students, as well as civic education courses for rural teachers and NGO representatives.

Social-Sector Reform

In the Caucasus, a number of programs were conducted to examine practices and approaches to the implementation of social reform, including welfare, pension, and healthcare reforms. Also in the Caucasus, there was focus on the needs of internally displaced persons through developing basic skills and helping them establish communities and provide for themselves. In Central Asia, programs were conducted on health care reform with focus on family medicine, physician licensing, health care legislation, and pharmaceutical financing and distribution. In Ukraine, the emphasis was placed on youth leadership, trafficking of women and children, and working with substance abuse and prevention.

- Following a training program on the trafficking of women in Ukraine, three participants working in collaboration with NGOs and the government published a handbook containing critical information on the problem of trafficking, as well as practical information and guidance for girls and women planning to work abroad. They also established a hotline that provides information on the reality of how to find a safe job abroad. In addition, the participants conducted hundreds of lectures and seminars for social workers, teachers, young women, and law enforcement agencies on how to prevent and combat the trafficking of women.
- A participant who attended a training on health care reform reorganized primary health care in Lviv, Ukraine, by introducing family-based medical services. She directed its service delivery system to targeted populations and maximized resources to make health services available to the neediest segments of the population. A family medicine division was opened serving 12,000 people.
- In Uzbekistan, as a result of a regional conference on women's issues and family health care, the NGO *Family Business* was created; several NGOs led by women were registered; the Association of Pediatricians increased its membership to over 300 members; a center on family planning was established; over 150 doctors were trained in the prevention of various diseases; and the provisions written during the workshop were adopted in the new Family Code.
- After participating in various youth leadership programs specifically designed for teenaged victims of Georgian-Abkhazian conflict, the students exhibited significant changes in their behavior, attitude, and outlook. They have demonstrated exceptional leadership skills and determination in the face of insurmountable circumstances: they have excelled in their studies and received scholarships to pursue university studies; established weekend schools for children living in the shelters; written articles on the plight of refugee children published in journals issued by relief organizations; mobilized other youth and organized numerous humanitarian assistance programs in their respective communities; and developed a web page to track their activities and maintain communication.
- Following a program on community mobilization, an IDP participant from Azerbaijan wrote a proposal funded by OXFAM to establish a project, *Development of Committees to Address the Socio-Economic Problems of IDP Communities*. The project is being implemented and twenty IDP communities in four regions of Azerbaijan will participate. The participant also conducted leadership development training in several communities and regions of Azerbaijan.

A breakdown of GTD participants trained during FY 2000 by Strategic Assistance Area (SAA) and training venue is provided on the following pages:

USAID GLOBAL TRAINING FOR DEVELOPMENT (GTD)
Number of Participants Trained in FY 2000
By Strategic Assistance Area (SAA) and Training Venue

| | | SAA 1 Economic Restructuring | SAA 2 Democratic Transition | SAA 3 Social Stabilization | SAA 4 Cross- Sectoral | TOTAL GTD | Fee-For Services | GRAND TOTAL |
|---------------------------------|-----------------|---|--|---|--------------------------------------|----------------------|-----------------------------|------------------------|
| Armenia | U.S.-Based | 26 | 79 | 21 | 5 | 131 | 92 | 223 |
| | In-Country | 2,072 | 795 | 39 | | 2,906 | 12 | 2,918 |
| | Third-Country | 37 | 47 | 75 | 3 | 162 | 10 | 172 |
| | SUBTOTAL | 2,135 | 921 | 135 | 8 | 3,199 | 114 | 3,313 |
| Azerbaijan | U.S.-Based | 24 | 23 | 18 | | 65 | 32 | 97 |
| | In-Country | 1,087 | 27 | 63 | | 1,177 | 2 | 1179 |
| | Third-Country | 12 | 37 | 2 | 6 | 57 | 11 | 68 |
| | SUBTOTAL | 1,123 | 87 | 83 | 6 | 1,299 | 45 | 1344 |
| Georgia | U.S.-Based | 26 | 20 | 79 | 1 | 126 | 109 | 235 |
| | In-Country | 611 | 530 | 1236 | | 2,377 | 8 | 2,385 |
| | Third-Country | 50 | 40 | 85 | 7 | 182 | 60 | 242 |
| | SUBTOTAL | 687 | 590 | 1400 | 8 | 2,685 | 177 | 2,862 |
| Caucasus Regional Totals | | 3,945 | 1,598 | 1,618 | 22 | 7,183 | 336 | 7,519 |

| | | | | | | | | |
|---------------------------------|-----------------|------------|-----------|-----------|-----------|------------|------------|------------|
| Belarus | U.S.-Based | | | | | | 21 | 21 |
| | In-Country | 1 | | | | 1 | | 1 |
| | Third-Country | | 16 | | | 16 | | 16 |
| | SUBTOTAL | 1 | 16 | 0 | 0 | 17 | 21 | 38 |
| Moldova | U.S.-Based | | | | | | 20 | 20 |
| | In-Country | | | | | | 2 | 2 |
| | Third-Country | | | | | | 8 | 8 |
| | SUBTOTAL | 0 | 0 | 0 | 0 | 0 | 30 | 30 |
| Ukraine | U.S.-Based | 61 | 32 | | | 93 | 426 | 519 |
| | In-Country | 92 | 27 | 29 | 90 | 238 | | 238 |
| | Third-Country | 16 | 19 | 20 | | 55 | 10 | 65 |
| | SUBTOTAL | 169 | 78 | 49 | 90 | 386 | 436 | 822 |
| West NIS Regional Totals | | 170 | 94 | 49 | 90 | 403 | 487 | 890 |

| | | SAA 1 Economic Restructuring | SAA 2 Democratic Transition | SAA 3 Social Stabilization | SAA 4 Cross- Sectoral | TOTAL GTD | Fee-For Services | GRAND TOTAL |
|-------------------------------------|-----------------|------------------------------------|-----------------------------------|----------------------------------|-----------------------------|---------------|---------------------|----------------|
| Kazakhstan | U.S.-Based | 2 | | 8 | | 10 | 73 | 83 |
| | In-Country | 318 | 118 | 185 | | 621 | 90 | 711 |
| | Third-Country | 71 | 58 | 9 | | 138 | 16 | 154 |
| | SUBTOTAL | 391 | 176 | 202 | | 769 | 179 | 948 |
| Kyrgyzstan | U.S.-Based | 6 | 4 | 5 | | 15 | 33 | 48 |
| | In-Country | 714 | 18 | | | 732 | 1 | 733 |
| | Third-Country | 37 | 43 | 10 | | 90 | 58 | 148 |
| | SUBTOTAL | 757 | 65 | 15 | | 837 | 92 | 929 |
| Tajikistan | U.S.-Based | 1 | | 20 | | 21 | 13 | 34 |
| | In-Country | 276 | 966 | 310 | 20 | 1,572 | | 1,572 |
| | Third-Country | 204 | 27 | 9 | 7 | 247 | 24 | 271 |
| | SUBTOTAL | 481 | 993 | 339 | 27 | 1,840 | 37 | 1,877 |
| Turkmenistan | U.S.-Based | 7 | | | 2 | 9 | 12 | 21 |
| | In-Country | 372 | | | 1 | 373 | 44 | 417 |
| | Third-Country | 11 | 29 | 1 | 3 | 44 | 4 | 48 |
| | SUBTOTAL | 390 | 29 | 1 | 6 | 426 | 60 | 486 |
| Uzbekistan | U.S.-Based | 12 | | 5 | | 17 | 19 | 36 |
| | In-Country | 553 | 675 | 162 | | 1,390 | 19 | 1,409 |
| | Third-Country | 25 | 48 | 24 | | 97 | 59 | 156 |
| | SUBTOTAL | 590 | 723 | 191 | | 1504 | 97 | 1,601 |
| Central Asia Regional Totals | | 2,609 | 1,986 | 748 | 33 | 5,376 | 465 | 5841 |
| | | | | | | | | |
| Russia | U.S.-Based | 41 | 27 | 14 | 0 | 82 | 256 | 338 |
| | In-Country | 113 | 0 | 0 | 188 | 301 | 0 | 301 |
| | Third-Country | 0 | 0 | 0 | 18 | 18 | 0 | 18 |
| | SUBTOTAL | 154 | 27 | 14 | 206 | 401 | 256 | 657 |
| | | | | | | | | |
| SUBTOTALS | U.S.-Based | 206 | 185 | 170 | 8 | 569 | 1,106 | 1,675 |
| | In-Country | 6,209 | 3,156 | 2,024 | 299 | 11,688 | 178 | 11,866 |
| | Third-Country | 463 | 364 | 235 | 44 | 1106 | 260 | 1,366 |
| GRAND TOTALS | | 6,878 | 3,705 | 2,429 | 351 | 13,363 | 1544 | 14,907 |

LIBRARY OF CONGRESS – RUSSIAN LEADERSHIP PROGRAM

The Russian Leadership Program (RLP) of the Library of Congress brings emerging Russian political and civic leaders to the United States on intensive, seven- to ten-day visits that expose them to American democracy and free enterprise at the grassroots level. Congress initiated the program as a pilot in 1999 and converted it into a permanent center in December 2000 with the leadership of Senator Ted Stevens. The RLP is modeled on a small but highly successful component of the Marshall Plan that funded U.S. visits for large numbers of young postwar German leaders who subsequently helped reshape their country into a stable, market-oriented federal democracy. The RLP's special features are its inclusiveness and size, its focus on *up-and-coming* leaders, its lack of a requirement that participants speak English, its emphasis on enrolling local and regional decision-makers as well as national-level officials, and its home-stay component. Since the program's inception, nearly 4000 Russians from 43 ethnic groups and 88 of the country's 89 regions have participated in the RLP.

RLP 2000 participants included 210 federal, regional, and municipal legislators, 97 mayors and vice-mayors, 103 judges, and 21 election officials. The delegate pool also included Russian parliamentary and judicial staff, journalists, and prominent representatives of the nascent non-governmental and commercial sectors. RLP 2000's 1,605 participants were relatively young, with an average age of 38, and 34 percent were women.

RLP 2000 featured a thematically organized parliamentary program under which 4 U.S. senators, 21 members of the U.S. House of Representatives, and 5 governors hosted 106 members of Russia's two houses of parliament: the State Duma (the lower house) and the Federation Council (the upper house). Special topics around which the parliamentary delegations were organized included the rule of law, ecology/environment, land reform, and budget/finance. The Russian legislators visited Washington, D.C., for substantive, high-level meetings and traveled to their congressional and gubernatorial hosts' home states for site visits and in-depth discussions with state and local officials and NGO representatives. Representatives Bud Cramer and Roger Wicker took the lead in recruiting their fellow House members to serve as Congressional hosts.

To implement the stateside portion of the RLP, the Library worked with 12 nonprofit and governmental organizations experienced in hosting foreign visitors, including the American Foreign Policy Council, the International Republican Institute, the National Democratic Institute, Rotary International, and the Russia Initiative of the United Methodist Church. The U.S. host organizations arranged for the RLP participants to have working meetings with governmental officials, business leaders, and voluntary organization staff; receive briefings by university officials and state and local agency experts; sit in on municipal hearings, county commissioners meetings, trials, and other governmental and judicial proceedings; attend political party functions; tour factories, schools, prisons, museums, and other institutions, and "shadow" their American professional counterparts during a workday. Participants saw firsthand the mechanisms by which government is made accountable, accessible, and responsive, and they witnessed how individual Americans work to better their communities through volunteerism, civic activism, and philanthropy.

The hosting organizations for the non-parliamentary delegations also placed RLP participants in private homes for some or all of their stay, thereby giving the Russians a window onto American family life and enabling them to take part in typically American social, cultural, community, and religious activities. The American hosts in turn benefited from the opportunity to learn about Russia from the political and civic leaders spearheading that country's transition from communism to an open, democratic society.

Even though it has been in existence only since July 1999, the RLP can already report promising results, including the following:

- Officials in the Sakhalin Island city of Kholmsk undertook an urban beautification project on their return from their RLP visit.
- A participant from Vladivostok has published a much-needed directory of child and family services sponsored by the city and regional governments.
- An alumnus from the Siberian city of Krasnoyarsk has taken steps to establish public hearings on proposed land-use legislation, a practice that greatly impressed him during his trip to the United States.
- In the Urals city of Nizhniy Tagil, an RLP alumna is working to introduce student government councils in local schools.
- The mayor and vice-mayor of the Siberian city of Usolye, both RLP alumni, teamed up with local businesses and volunteers in a successful effort to clean up the river that flows through the city.
- The head of the Rudninsky district administration plans to publicize the agenda for district council meetings in advance and to invite citizen attendance and feedback.
- RLP alumni throughout Russia have begun to establish regional alumni associations.
- In a survey of 1999 RLP alumni conducted in 2000, 83 percent of the alumni respondents reported that their understanding of the role of volunteer organizations in U.S. society had increased as a result of their RLP visit, 81 percent reported their understanding of the U.S. legal system had increased, and 78 percent indicated that their understanding of the rule of law in the United States had increased.

U.S. DEPARTMENT OF COMMERCE - SPECIAL AMERICAN BUSINESS INTERNSHIP TRAINING (SABIT) PROGRAM

The Commerce Department's SABIT Program provides managers and scientists from the NIS with practical exposure to American methods of innovation and management by placing them with U.S. companies for hands-on training for four weeks to six months. Since 1992, two thousand managers and scientists have been trained in the skills needed to implement positive change in their companies. SABIT has facilitated hundreds of partnerships between U.S. and NIS businesses.

In FY 2000 the program trained 293 managers and scientists bringing the cumulative total trained to 2,079. FY 2000 participants were from the following countries: six from Armenia, four from Azerbaijan, 17 from Georgia, 30 from Kazakhstan, four from Kyrgyzstan, two from Moldova, 131 from Russia, three from Tajikistan, 78 from Ukraine, and 12 from Uzbekistan.

With approximately 400 U.S. companies donating technical and business training to SABIT participants, the following training programs were completed this fiscal year:

- 59 individual internships were completed and \$864,000 was awarded to U.S. companies for training NIS participants.
- Three sessions in Environmental Technology trained 51 interns from the NIS in three six-week sessions including: Mining Industry Cleanup; Environmental Technologies for the Pulp and Paper Industry; and Industrial Air Pollution Management. The SABIT ET Program is a good example of how SABIT builds outreach, commercial access, public policy and humanitarian relationships between the US and the NIS.
- Two Standards programs familiarized 32 standards experts in information technology and telecommunication. Another training program for 14 laboratory accreditation experts began in October 2000 to coincide with the International Laboratory Accreditation Conference.
- Two sessions in Quality Management and Manufacturing trained 31 Ukrainian production managers including 15 from the Kharkiv Region as a part of the Kharkiv Initiative.
- Rule of Law for Business Training, co-sponsored with the U.S.-Russia Business Development Committee, sponsored five Russians in a three-month business ethics "train-the-trainer" program from four of Russia's regions, including Novgorod, St. Petersburg, Samara and Moscow.
- The Caucasus/Central Asia Regional Program trained 49 people in three sessions covering Oil & Gas Pipeline Development, Housing Construction, and Technology Commercialization in the Pharmaceutical Industry.
- The Russian Regional Program trained 47 people in three sessions covering Port Development for Northwest Russia, Computer and Information Technology Commercialization for Novosibirsk, and Oil and Gas Exploration and Production for Tomsk.

Alumni Activities: Over 30 alumni activities such as follow-on training, conferences, and seminars were implemented in the following sites: Almaty, Kazakhstan; Karaganda, Kazakhstan; Tashkent, Uzbekistan; Moscow, Russia; St. Petersburg, Russia; Vladivostok, Russia; Novosibirsk, Russia; Chisinau, Moldova; Kharkiv, Ukraine; Lviv, Ukraine; Yerevan, Armenia. Especially successful was the conference "Development of Women's Entrepreneurship" held in Almaty.

The following are examples of the results of the SABIT Program:

- The Vice President of a New Jersey construction equipment company credits the SABIT interns they trained with doubling their revenue from \$5 million to \$10 million in U.S. exports to Russia. Through its SABIT grant, this company trained individuals to become experts in their field and as a result, the alumni obtained promotions and better jobs. Furthermore, the alumni promoted this company's product in the NIS, resulting in increased sales for the company. The vice president confirmed that, "We would not have survived in Russia after [the economic collapse of] 1998 without our SABIT experience."

- A SABIT host company has started General Motors (GM) car dealerships in Turkmenistan, Uzbekistan and Krasnoyarsk, Russia with its SABIT alumni. After surviving the 1998 Russian financial crisis and training several business partners through the SABIT Program, a Virginia-based dealership has generated multi-million-dollar profits. This same organization sold a fleet of American-made GM trucks to a large gold/uranium mining and processing plant in Uzbekistan.
- A Virginia-based company has won a \$30,000 contract from the Ministry of Defense in Turkmenistan for the delivery of American auto parts. Thanks to the SABIT Program, the company has been able to establish its presence in Turkmenistan and succeed despite the difficult economic situation there.
- A Wisconsin-based construction company has had great success in Russia after training an intern through the SABIT Program. Over the past five years, this company has built offices, car service centers, showrooms, all-vehicle garages, a sports center, a warehouse and show room for a major motor corporation. They are in the process now of launching a new project to build pre-fabricated factories.

FY 2001 SABIT programs will include grants to U.S. companies to train individuals for three to six months, as well as specialized programs in transportation infrastructure, standards, information technology, energy, technology commercialization, real estate, rule of law for business, food processing and packaging equipment, as well as alumni activities throughout the NIS.

U.S. DEPARTMENT OF AGRICULTURE (USDA) – COCHRAN FELLOWSHIP PROGRAM

USDA's Cochran Fellowship Program (Cochran Program) provides short-term agricultural training for NIS agriculturalists and policy makers. Training programs are conducted in the U.S. for selected mid- and senior-level specialists and administrators in areas that help the participating countries develop their own agricultural food system and strengthen agricultural trade linkages with U.S. agribusinesses. Training is implemented in conjunction with USDA agencies, agricultural trade and market development associations, universities, and private agribusiness. In FY 2000, the Cochran Program provided training for 167 Fellows from 11 countries of the NIS (excluding Belarus), bringing the total number of FSA-funded Cochran Fellows to 1,100. Of the 167 Fellows, eight were from Armenia, nine from Azerbaijan, 18 from Georgia, 21 from Kazakhstan, 18 from Kyrgyzstan, 11 from Moldova, 35 from Russia, four from Tajikistan, 14 from Turkmenistan, 18 from Ukraine, and 11 from Uzbekistan. Cochran FSA-funded training addressed a wide range of topics, including agricultural policy, agricultural finance and banking, food safety, food processing and marketing, international trade, regional irrigation policy and technology, agricultural journalism, agricultural market news, farm management, livestock processing and marketing, soybean processing, food wholesale and retail, and cooperative/agribusiness management. Fourteen Cochran Fellows received training in FY 2000 funded by USDA's Emerging Markets Office (EMO). Since FY1993, EMO has funded 630 NIS Fellows through the Cochran Program. EMO funding is targeted toward trade-related activities focusing mostly on food wholesale and retail training. In FY 2000, EMO funded training for Cochran Fellows from Russia, Ukraine and Uzbekistan.

In addition to the skill-building aspect of the program, Cochran Fellowships also contributed to US-NIS agricultural trade linkages and U.S. agricultural exports:

- During FY 2000, the Cochran Program, in cooperation with the Pennsylvania State University, completed an external evaluation of the Cochran Program in Armenia, Georgia and Azerbaijan during FY 2000. Preliminary results show that the program played an important role in the personal development of over 90 percent of the Fellows in areas ranging from personal knowledge to job performance. In Georgia, over half of the fellows reported increases in job responsibility while 34% actually started private businesses of their own. In Azerbaijan, over half of the surveyed Fellows said that the program influenced their organization's decisions on importing U.S. commodities or technologies.
- Cochran FY 2000 teams from Uzbekistan, Kazakhstan, Russia and Ukraine worked with the American Soybean Association (ASA) in poultry production and oilseed processing programs. According to ASA, poultry operations in these countries are "20 years behind the times." These programs have benefited U.S. exports of soybeans, which at one time were about four million metric tons per year. Following this year's

training, Uzbek Cochran Fellows participated in the importation of 50,000 tons of soybeans under USDA's GSM-102 Export Credit Program. Meanwhile, Kazakhstani Fellows have played key roles in developing and implementing the GSM-102 and Supplier Credit programs through Kazakhstani banks.

- Uzbek Fellows participating in a water resource management and irrigation technology program established linkages with their trainers at Fresno State University as well as large companies producing irrigation equipment in an effort to facilitate joint research projects and possible joint ventures to construct irrigation systems in Uzbekistan.
- The Ukrainian Cabinet of Ministers' newspaper announced that a former Cochran Fellow had achieved record-high weight gains for his hogs after receiving U.S.-based training through the program. The participant is now sharing his experiences with other Ukrainian hog farmers.
- Officials of the State Plant Quarantine Service and the State Veterinary Department of Ukraine visited the U.S. under the Cochran Program to facilitate discussions of SPS and veterinary certificates that would be used to support exports of U.S. commodities to Ukraine.
- Upon his return to Kazakhstan following an agricultural marketing course, a Cochran Fellow organized a private farmers' market and established a school to train private farmers in the Pavlodar Oblast.
- Moldovan participation in a WTO Accession Training was particularly important, given that their WTO accession is currently in progress. By participating with other countries in the course, Moldovan staff were able to learn from Latvian and Estonian experiences in WTO negotiations in their recent accession. Two of the three team members are directly involved in Moldova's WTO negotiations.
- The Cochran training of agricultural credit professionals in Russia during FY 2000 was extremely beneficial, according to a cable from the U.S. Embassy in Moscow. Specifically, the Cochran Program collaborated with ACDI/VOCA to help support USAID's Mobilizing Agricultural Credit (MAC) Program.

Programs Promoting the Objectives of the Silk Road Strategy Act of 1999

The Cochran Fellowship Program contributed to the objectives of the Silk Road Strategy Act of 1999 in numerous ways. During FY 2000, the Cochran Program trained 103 Fellows representing each of the countries targeted by the Act. Nearly all of the programs sought to promote economic reform and strengthen democracy, tolerance and the development of civil society. The Cochran Program's courses are often conducted on a regional basis. Consequently, Central Asian Fellows from different countries yet from similar professional backgrounds often work together, giving them the opportunity not only to meet each other, but to tackle issues on a regional, rather than national, level. Examples of programs that promoted the objectives of the Silk Road Strategy Act include the following:

- Cochran Fellows from Kazakhstan and Turkmenistan participated in training programs examining plant and animal protection and quarantine along U.S. borders. Fellows made site visits to U.S. ports of entry to learn about inspection regulations and procedures. The objective of the program was to promote the reduction of barriers to the trade of agricultural goods within the region as well as with the United States.
- A delegation of six Armenian legislators visited the United States to examine rural development legislation. The Fellows met with USDA officials and U.S. legislators to learn the structure and implementation of the U.S. legislation.
- Cochran Fellows from Uzbekistan, Kyrgyzstan and Turkmenistan participated in a water resource management and irrigation technology program that addressed trans-boundary water issues.
- In addition, in 1999, Cochran Fellows from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan participated in a regional seed-policy harmonization program aimed at establishing regional approaches to establishing common variety registration procedures and timeliness, common seed certification regulations, and phytosanitary requirements based on science.

U.S. DEPARTMENT OF AGRICULTURE (USDA) – FACULTY EXCHANGE PROGRAM (FEP)

The Faculty Exchange Program (FEP) provides six months of practical training to university educators from progressive NIS agricultural institutions to increase their capacity to develop academic and adult education programs and curricula in agricultural economics and marketing, agribusiness, and agrarian law. FEP is managed by the Professional Development Program (PDP) of the Food Industries Division (FID), International Cooperation and Development, Foreign Agricultural Service. In FY 2000, 18 participants from Russia, Ukraine, and Kazakhstan completed a six-month program in December 1999. An additional 17 participants began a six-month program in July 2000 that ended in December 2000. The total number of participants in the FEP since its inception in 1995 is 85: 41 from Russia, 36 from Ukraine, and eight from Kazakhstan. They represent 44 different universities, institutes, and training institutions: 18 Ukrainian, 23 Russian, and three Kazakhstani.

FEP has the following objectives: (1) to increase the number of adults in the NIS who understand market economics by improving the quantity and quality of academic and adult education programs in agricultural economics and marketing, agribusiness, and agrarian law; (2) to develop the ability and confidence of participating faculty to evaluate and revise curricula and courses through the application of basic principles of learning and curriculum development; and, (3) to establish enduring U.S.-NIS institutional relationships that will catalyze and support curriculum development, course revision, faculty development, and joint research in the areas of agricultural economics and marketing, agribusiness and agrarian law. Increasing the number of adults in the NIS who understand the workings of a market economy, who can teach and create educational materials on market economics, and possess the mind set to adapt to a market economy is critical to the formulation and implementation of sound agricultural policies and the promotion of agricultural development in the NIS countries.

An individualized program is designed for each participant. U.S. university staff work one-on-one or in small groups with participants at each host university. Participants observe classes in their subject areas and learn new teaching methods. In addition, they learn how to revise existing curricula, develop new curricula, choose and develop class materials, and assess student progress. Through visits to and internships with agribusinesses, extension and adult education programs, FEP participants gain practical first hand experience in the day-to-day functioning of the U.S. agricultural research and education systems, as well as U.S. agribusiness. During their program, each participant develops a minimum of three new or revised course outlines and materials for introduction at their home universities. For the first time this year, all participants received training in how to develop Internet based courses for use in distance education programs.

The program also provides follow-on support visits by U.S. faculty to each participant's home institution four to eight months after the end of the program. Activities conducted during these visits include reviewing newly-developed course outlines and materials; meeting and discussing curricula revision with heads of department, deans and rectors; giving lectures and seminars on market economic and agribusiness-related topics to faculty and students; visiting and meeting with farmers; reviewing and suggesting improvements in extension and adult education programs; and discussing future joint research and exchange programs.

FY 2000 Program Developments

- All participants report that they were able to introduce new material into their academic courses immediately upon return from the program.
- Six participants from the 1999 group have received promotions to positions of higher authority where they can more easily effect change at their institutions. Three others have been selected to participate in EU-TACIS programs at their universities intended to revise curricula and improve teaching effectiveness.
- Seven U.S. faculty members from the Universities of Wisconsin and Nebraska, The Pennsylvania State University and Colorado State University provided follow-on support visits to a total of 32 participants in Russia, Kazakhstan and Ukraine.
- As in past years, FY 2000 participants wrote articles on selected aspects of the U.S. agricultural system. These articles were published in Russian and distributed to all agricultural universities in Russia, Kazakhstan and Ukraine.

- A second FEP Reunion Workshop was held in Moscow in October, 1999 and brought together 38 of 47 alumni along with 10 faculty from U.S. universities. This meeting allowed NIS and U.S. faculty to discuss progress and results to date in curriculum reform and course development and ways in which U.S. universities and USDA can provide on-going support. As a result of the Moscow meeting, an e-mail listserv was established in cooperation with Colorado State University to help facilitate information exchange among all participants of the program. A collection of papers presented at the workshop was published in Russian and distributed to all agricultural universities in Russia, Kazakhstan and Ukraine.
- FEP alumni in Voronezh and Orel worked together to establish agricultural extension offices in all 6 oblasts of the black earth region of Russia. One participant in Orel is the Director of the oblast office and three others from Voronezh (one serving as the Deputy Director of the Center) work primarily on agricultural extension activities.
- The University of Nebraska, Lincoln (UNL) has held discussions with Moscow State Agro-Engineering University about the possibility of UNL professors traveling to Moscow to teach as visiting professors. The first trip is planned for FY 2001. In early FY 2001, the Assistant to the Dean for International Agricultural Programs, the Dean of International Affairs and the Dean of Graduate students from the University of Nebraska-Lincoln will travel to FEP universities in Kharkiv and Zhytomyr in Ukraine, and Omsk, Tyumen and Khanty Mansisk in Russia to explore the possibility of establishing student/faculty exchanges and joint research programs.
- FEP alumni rectors and/or vice rectors from Sumi State Agrarian University and the National Agrarian University in Ukraine and Voronezh State Agricultural University and Saratov State Agrarian University in Russia visited The Pennsylvania State University (PSU) to learn more about agricultural economics education and extension education. Memoranda of understanding (MOUs) for future collaboration were signed. These trips were financed by the NIS universities themselves, PSU, and private U.S. supporters.
- In May 2000, an agricultural extension workshop was held in Kiev, Ukraine, organized by PSU, Vinnitsa State Agricultural University, the National Agrarian University, and the Polish Government. Two Russian and 12 Ukrainian FEP graduates and colleagues participated in this event. All costs associated with the FEP graduates' attendance were paid by two Pennsylvania agribusinesses, PSU, the participants' university, and the Polish Extension Service. This annual workshop was traditionally held in Poland, but moved to Ukraine this year as a direct result of PSU's involvement in the FEP. Next year the workshop will be held in Voronezh, Russia where PSU is working with FEP alumni to further develop their extension activities. Poles and Ukrainians will also attend.
- As a result of PSU's FEP involvement in Ukraine, they have received an endowment of \$1,500,000 from a private donor to support continued agricultural education activities in Ukraine. Part of the funds will be used to continue to work with FEP universities to develop agricultural extension programs and to support FEP participant attendance at yearly agricultural extension conferences. PSU continues to provide technical advice on agricultural extension systems to agricultural universities in Lviv, Kiev, Sumi, Melitopol, and Crimea in Ukraine. Penn State has signed MOUs with each of these institutions for continued collaboration and the provision of technical assistance.
- Faculty from Colorado State University and FEP participants from Orel Agricultural Academy and Voronezh State Agricultural University have begun work on joint research activities on vertical integration of agriculture in two regions, risk management in agriculture, the effects of population and income growth on the demand for various agricultural products, and to create a linear programming agricultural sector model to examine the issues of the importance of the on-going transition in the Russian agricultural sector. Funding proposals for some of this research will be submitted to the USDA/National Research Initiative Competitive Grants Program in early FY 2001.

In FY 2001, FEP will focus on selecting participants from Russian, Kazakhstani and Ukrainian universities that have not yet participated in the FEP or similar programs, selecting additional participants from progressive universities to build a core of U.S. trained staff at each institution, supporting U.S.-NIS university partnerships and encouraging networking and information exchange among former FEP participants and with their U.S. host universities. In mid 2001, FEP participants from the Saratov and Voronezh regions of Russia will be invited to join past participants of the USDA Cochran Fellowship Program (CFP) and the USDA/USAID Program for the

Revitalization of Agriculture through Regional Investment (PRARI) to form a Russian-U.S. Agri-Business Association to further trade linkages between the U.S. and Russia. In late FY 2001 or early in FY2002, FEP plans to bring together all 85 graduates and participating U.S. faculty for a third program workshop in Moscow or Kiev.

DEMOCRACY PROGRAMS

U.S. DEPARTMENT OF STATE – INTERNET ACCESS AND TRAINING PROGRAM (FSA-funded)

The Bureau of Educational and Cultural Affairs (ECA) established the Internet Access and Training Program (IATP) in 1995 to support alumni of the ECA Bureau's academic and training programs. Since then, IATP has grown significantly since then and now provides access to a much broader audience. IATP supports public access Internet sites throughout the NIS, and offers Internet training, web design courses, and small grants for on-line projects. The ECA Bureau has awarded grants to the International Research & Exchanges Board (IREX) to administer IATP in Belarus, Moldova, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, and to Project Harmony to administer IATP in Russia. The main goals of IATP are as follows:

- Provide Internet access to alumni of U.S. Government-funded training and exchange programs, and targeted members of the general public;
- Train alumni and other targeted audiences in using the Internet and the resources of the World Wide Web;
- Establish and maintain contact through the Internet between U.S. Government training and exchange program alumni, their U.S. host institutions, their sponsoring organizations and the ECA Bureau;
- Sponsor and encourage the development of local-language websites, distance learning, message boards and online journals; and
- Develop and encourage practical and meaningful Internet-based activities for exchange program alumni and their colleagues.

For more information on the IATP program in Russia, please visit the website <http://iatp.projectharmony.ru>. For more information on the IATP program in the Caucasus, Central Asia and the Western NIS, please visit the website <http://www.irex.org/programs/iatp/index.htm>

A major expansion of the IATP program NIS-wide is planned for FY 2001. A list of existing and future IATP sites is provided below:

| COUNTRY | Existing IATP Sites | IATP Sites under Construction |
|--------------|---------------------|-------------------------------|
| Armenia | 6 | |
| Azerbaijan | 5 | 2 |
| Belarus | 2 | 1 |
| Georgia | 7 | |
| Kazakhstan | 5 | 1 |
| Kyrgyzstan | 4 | |
| Moldova | 4 | |
| Russia | 47 | 6 |
| Tajikistan | 1 | |
| Turkmenistan | 1 | |
| Ukraine | 11 | |
| Uzbekistan | 5 | 1 |
| TOTAL | 98 | 11 |

U.S. DEPARTMENT OF STATE – BUREAU OF EUROPEAN AFFAIRS

The Public Affairs Sections of U.S. Embassies in the NIS countries administer the Democracy Funds Small-Grants Program and other programs which provide support for democracy building activities by local organizations and institutions.

DEMOCRACY FUNDS SMALL-GRANTS PROGRAM (FSA-funded)

FY 2000 marks the sixth year of this high-impact small-grants program, under which embassy-based Democracy Commissions in each NIS country award grants of up to \$24,000 to indigenous non-governmental organizations (NGOs) or individuals in support of democracy-building activities, independent media and the free flow of information. In FY 2000, the Democracy Funds Small-Grants Program awarded over 330 grants with a total value of approximately \$3.5 million. A breakdown by country is provided below:

| COUNTRY | NUMBER OF GRANTS | TOTAL VALUE |
|--------------|------------------|----------------|
| Armenia | 25 | \$0.32m |
| Azerbaijan | 13 | \$0.18m |
| Belarus | 106 | \$1.59m |
| Georgia | 27 | \$0.25m |
| Kazakhstan | 13 | \$0.11m |
| Kyrgyzstan | 12 | \$0.08m |
| Moldova | 45 | \$0.19m |
| Russia* | 17 | \$0.15m |
| Tajikistan | 13 | \$0.10m |
| Turkmenistan | 18 | \$0.10m |
| Ukraine | 17 | \$0.28m |
| Uzbekistan | 25 | \$0.15m |
| TOTAL | 331 | \$3.50m |

Since FY 1995, over 900 grants have been awarded among the participating countries, including 88 in Armenia, 53 in Azerbaijan, 221 in Belarus, 75 in Georgia, 49 in Kazakhstan, 60 in Kyrgyzstan, 106 in Moldova, 97 in Russia, 13 in Tajikistan, 18 in Turkmenistan, 66 in Ukraine and 53 in Uzbekistan. Examples of FY 2000 Democracy Commission grants are provided below, as well as in the country sections in Part I of this report.

Tajikistan, Turkmenistan: FY 2000 marks the launch of the Democracy Fund Small Grants program in Tajikistan and Turkmenistan. Opening projects in Tajikistan included awards to promote the formation and development of independent political parties, to support the establishment of a Center for Peace, Nonviolence and Human Rights, and to enable publication of a newspaper with independent reporting and analysis. Opening projects in Turkmenistan addressed such issues as: working with youth at risk, low-income women, legislative advocacy, and the development of small business training programs.

Belarus: In response to increasing restrictions on freedom of information in Belarus, the Democracy Commission expanded its grant-making activities to make it possible for many small local newspapers and other media outlets throughout the regions to continue or expand their outreach with news and analysis not available through national channels. Democracy Commission Grants also supported the efforts of Belarusian NGOs to explain legal rights and provide information and counseling on legal issues through workshops, brochures, bulletins and clinics throughout the country's regions.

Moldova: European Youth Exchange Moldova (EYEM), a local Moldovan NGO, encourages young people to learn about citizenship through active participation. Following on their previous success in carrying out a Children's Parliament project with Democracy Commission support, EYEM is now working with a small follow-on grant to establish 12 Local Children's and Youth Councils throughout Moldova. The elected Youth Councils (for ages 11 to 17) follow the structure of local councils and present a forum where young people are able to express opinions and hold discussions with public administration and decision-making bodies.

Ukraine: The Intellectual Perspective Foundation, a local Ukrainian NGO, has compiled and published a reference guide for agricultural reform in Ukraine with support from a Democracy Commission grant. The guide

contains information on current legislation as well as suggested models for land privatization, accounting, and debt payment, all with a focus on preserving the rights of individual landowners.

GEORGIAN INSTITUTE OF PUBLIC ADMINISTRATION (GIPA)

Continuing support for the Georgian Institute of Public Administration assists in training the next generation of Georgian public officials for effective public administration in a democratic and market-oriented environment. Local grants for institutional support through the Bureau of European Affairs are coordinated with grants through the Bureau of Educational and Cultural Affairs which bring U.S. specialists to Georgia for high-quality instruction and training in Public Administration.

BOOK TRANSLATION AND LIBRARY DEVELOPMENT PROGRAMS

Book Translation and Library Development programs in Azerbaijan, Russia and Ukraine assist in providing needed materials in business, civics, English teaching, and related fields. These programs make information available locally for NIS citizens.

- **Russia:** Current book translation projects will provide affordable access in Russian to major textbooks in economics, business and public administration. Free copies of these book translations will be distributed to libraries, academic institutions, scholars, government officials, and U.S. Government exchange program alumni to assist in teaching about business, economics, and basic concepts of U.S. democracy.

U.S. DEPARTMENT OF STATE – OFFICE OF INTERNATIONAL INFORMATION PROGRAMS

Under its U.S. Speakers Program, the Office of International Information Programs (IIP) offers U.S. embassies the opportunity to invite guest lecturers, consultants, and longer-term professionals-in-residence to work with host country counterparts in person or through digital videoconferencing and conference calling. U.S. Speakers may take part in conferences, lead workshops and seminars, or work with host institutions to develop professional strategies or curricula. Programs range in length from an hour (digital videoconferencing) to a few days (conferences and seminars) to several weeks or months (academic specialist or professional-in-residence programs).

In FY 2000, IIP sent 82 U.S. Speakers to NIS countries: five to Armenia, three to Azerbaijan, eight to Belarus, three to Georgia, six to Kazakhstan, two to Kyrgyzstan, 13 to Moldova, 32 to Russia: 32 (12 base-funded, 19 FSA-funded), one to Turkmenistan, four to Ukraine, and five to Uzbekistan. IIP spent approximately \$429,000 in base program funds for NIS posts in FY 2000.

IIP base-funded U.S. Speaker programs for NIS posts addressed topics ranging from rule-of-law to American literature to television production. Highlights of the past year included:

- Commercial Law attorney Linda Miller conducted roundtable discussions and seminars with professional associations and students of law and business in Uzbekistan.
- Acclaimed author Michael Chabon ("Mysteries of Pittsburgh" and "Wonder Boys") met with writers, editors, and translators in Moscow and St. Petersburg.
- Television news writer Stephen Steinberg and TV news producer Mark Sindler conducted training for journalism students and practicing journalists in Kostenai and Shymkent, Kazakhstan.
- Ann Jordan, Director of Anti-Trafficking Initiatives at the International Human Rights Law Group, met with law enforcement officials and NGO activists in Ukraine to discuss trafficking in women.

Of the 32 speakers, specialists, and professionals-in-residence placed in Russia, 19 were funded with FY 1999 FSA monies. In FY 2000, IIP administered \$398,946 in FSA funds for four professionals-in-residence working with Russian media NGOs:

- Broadcast Management Consultant John Catlett assisted Internews to share principles of market management with independent broadcasters;

- Associated Press Graphics Art Director Jeffrey Magness advised regional newspapers through the National Press Institute (NPI) on print media advertising and graphics;
- James Healy worked with NPI to advise regional media outlets on media sales, marketing, and management; and
- Media consultant Ann Olson was charged with leading the reorganization of NPI and improvement of its services to regional print media.

In addition, IIP administered \$49,782 in FSA funds for 15 speaker/consultant programs on media, economic, and rule-of-law topics. Highlights included:

- Former Texas Governor Ann Richards discussed U.S. politics, political fund-raising, and women in politics with journalists, public administration professors and students, NGO activists, and elected officials in Moscow, St. Petersburg, and Tomsk.
- Federal Appellate Court Judge Stephen Williams headlined a seminar on U.S. legal reasoning at the Russian Institute of the State and Law.
- Borders Marketing Director Thomas Dwyer and Farrar, Straus and Giroux Publicity Vice President Jeffrey Seroy led seminars on book-selling, marketing, and publishing at the Moscow International Book Fair.

U.S. DEPARTMENT OF STATE – BUREAU OF DEMOCRACY, HUMAN RIGHTS AND LABOR (DRL) – HUMAN RIGHTS AND DEMOCRACY FUND (HRDF)

Belarus: In FY 2000, the deteriorating situation in Belarus made it imperative to bolster the democratic movement by strengthening the independent media and by increasing support to the democratic forces for change. With matching funds from the Office of the Coordinator of U.S. Assistance to the NIS, the DRL Bureau contributed \$100,000 in HRDF funds to help cross-border radio stations provide the people of Belarus with a source of free and unbiased information.

Kazakhstan: In FY 2000, the independent print media in Kazakhstan faced increasing government harassment and repression, especially after the flawed elections held in February of 2000. In FY 2000, DRL provided a \$35,000 grant to a Kazakhstani media advocacy organization to promote freedom of the press. This NGO provides legal advice and consultations to broadcast media outlets, despite external pressures.

Kazakhstan/Kyrgyzstan: Independent newspapers in Kazakhstan and Kyrgyzstan are at the mercy of either government-controlled printing presses or of ostensibly “independent” commercial presses. These quasi-government monopolies have in the past been used to limit press freedom by arbitrarily breaking contracts to print independent newspapers. In FY 2000, DRL's Human Rights and Democracy Fund (\$20,000) and the Office of the Coordinator of U.S. Assistance to the NIS supported an expert assessment to measure the feasibility of using U.S. Government and other funds to support independent printing presses in these countries as an alternative to presses that are either run or controlled by the state.

Kyrgyzstan: In FY 2000, DRL continued to support NGOs that monitored the presidential election and conducted other election-related activities. As the implementing agency, USAID used \$40,000 in HRDF funds to run a successful small grants program that provided competitive grants to NGOs, civic organizations, and media seeking electoral reform and government accountability. These funds helped to educate citizens about the elections, uphold the principle of transparency, and encourage citizens to participate in and monitor the elections.

Uzbekistan: Human rights defenders in Uzbekistan operate in an exceedingly difficult context. Members of independent human rights groups are harassed, arrested, detained, beaten, and convicted on false charges. In FY 2000, \$150,000 in HRDF funds were used to establish a program to: (1) connect local human rights defenders to the global human rights community through international exchanges and the Internet, (2) educate Uzbek citizens on how to monitor human rights using standard documenting and reporting techniques through a U.S. human rights trainer, and (3) increase the technical capacity of local organizations through a small-grants program.

U.S. DEPARTMENT OF STATE – SUPPORT FOR THE NATIONAL ENDOWMENT FOR DEMOCRACY (NED)

In FY 2000, the Bureau of European Affairs of the U.S. Department of State provided supplemental funding to the National Endowment for Democracy (NED) to support its grant-making activities in Belarus. NED conducts competitive small-grants programs that help promote and strengthen the beleaguered non-governmental sector and independent media in Belarus. A total of \$400,000 in FY 2000 funding supported projects in the following areas: support for independent media; support for NGO initiatives; and support for regional civil society programs.

U.S. DEPARTMENT OF STATE – ANTI-CRIME TRAINING AND TECHNICAL ASSISTANCE (ACTTA) PROGRAM

The ACTTA Program was established by the State Department's Bureau for International Narcotics and Law Enforcement Affairs (INL) in late FY 1994 in response to the threat posed to U.S. national security by transnational organized crime and related activities, including narcotics production and trafficking, in Russia and all the New Independent States (NIS) and the former Soviet Bloc. ACTTA training programs seek to familiarize NIS law enforcement officials with the newest techniques and systems for coping with crime, while simultaneously strengthening the rule of law and respect for human rights. The ACTTA Program continues to work to build the recipient countries' capacity to combat transnational organized crime and related activities, including money laundering, other financial crimes, narcotics trafficking and corruption, and to develop legislative and institutional capabilities to effectively support criminal investigations and prosecutions. The ACTTA Program also seeks to build the NIS countries' capacity to meet newer law enforcement challenges, such as the protection of intellectual property rights, border control issues, combating trafficking in people (including women and children) and trafficking in stolen vehicles.

The INL Bureau coordinates international law enforcement programs conducted by more than 19 U.S. federal law enforcement agencies in 10 NIS countries (excluding Azerbaijan and Belarus). The federal agencies currently participating in the ACTTA Program, include the Department of Justice (DOJ), and its Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) and International Criminal Investigative Training Assistance Program (ICITAP); the Federal Bureau of Investigation (FBI); the Drug Enforcement Administration (DEA); the Internal Revenue Service (IRS); the Department of the Treasury; the Bureau of Alcohol, Tobacco and Firearms (ATF); the Financial Crimes Enforcement Network (FinCEN); the U.S. Customs Service (USCS); the U.S. Secret Service (USSS); the Immigration and Naturalization Service (INS); the Environmental Protection Agency (EPA); the Coast Guard; the Department of Commerce; the State Department's Bureau of Diplomatic Security (DS); and the Federal Law Enforcement Training Center (FLETC). The ACTTA Program also works with U.S. non-governmental organizations (NGOs), universities, associations and other institutions to promote its objectives in the NIS.

A focal point of ACTTA's regional law enforcement assistance efforts is the International Law Enforcement Academy (ILEA) in Budapest, established in 1995. In FY 2000, 72 NIS participants attended ILEA's core program, an eight-week mid-level management course, along with colleagues from other Eastern European countries, and 270 NIS law enforcement officials participated in specialized courses at ILEA. In FY 2000, the INL Bureau provided \$286,042 in Freedom Support Act funds to cover ILEA's operating expenses. In FY 2000, the ILEA also provided a venue for short-term technical training programs offered by U.S. federal law enforcement agencies, including the FBI, USSS, INS, USCS, DS, DEA and DOJ/OPDAT. Training topics included the combating of money laundering and financial crimes, computer crimes and organized crime; border control and alien smuggling, specialized drug enforcement, crisis management and criminal profiling. The INL Bureau awarded \$883,698 to nine law enforcement agencies to conduct specialized training and participate in the core courses at ILEA in FY 2000.

In addition to training conducted at ILEA, the ACTTA Program provided regional and bilateral training in areas reflecting U.S. and host-country priorities. ACTTA training programs in the NIS focused on border control, counter-narcotics, combating organized crime and related activities of money laundering and financial crimes, and computer crimes. DOJ and Treasury agencies assisted in strengthening basic competency in police investigations and public safety, for example, through courses in investigative techniques, bomb blast investigation, crisis management and forensic chemist training. Other assistance, such as that offered by OPDAT and ICITAP, focused on prosecutors and law enforcement management. The INL Bureau has also

funded training and assistance through OPDAT, the FBI and USCS aimed at combating corruption among public officials and police forces.

To help address the border-control objectives of the Silk Road Strategy Act of 1999, a team of State Department, Customs, Coast Guard and USAID officials continued to work together as a committee to coordinate their efforts to build stronger border guard controls in Georgia and Armenia. For several years, the program has provided training, equipment and needed technical assistance in Georgia. U.S. Government efforts have been slowed due, in part, to the lack of the most basic structures necessary to house the necessary technology. Corruption has also hampered the Committee's assistance. The recent appointment of a new Minister of Justice in Georgia may revive the INL Bureau's contribution to border security in Georgia, beginning with the U.S. Government's provision of forensic equipment and training. The border security program has recently expanded to include Armenia. Due to Section 907 of the FREEDOM Support Act, the INL Bureau is barred from assisting in any border control efforts in Azerbaijan. In Central Asia, the INL Bureau participates in the Central Asia Security Initiative.

Armenia: In FY 2000, the INL Bureau funded \$756,597 in training for Armenia in subjects such as combating corruption (including internal controls). INL also funded a DOJ assessment of and assistance with drafting judicial sector legislation, as well as their work with the procuracy and police on managing prosecutorial functions and complex investigations. INL also supported efforts to combat domestic violence; police training in serious crimes, and the continuation of a DOJ/National Institute of Justice (NIJ) automation of police services effort. In addition, the INL Bureau supported the U.S. Embassy in Yerevan by funding with a personal services contractor (PSC) to help manage INL programs.

Azerbaijan: Section 907 of the FREEDOM Support Act has precluded the INL Bureau from providing law enforcement training to the Government of Azerbaijan.

Belarus: Since February 1997, the U.S. Government has had a policy of selective engagement with the Government of Belarus, minimizing official contacts and curtailing assistance to Belarusian Government officials. In FY 2000, the INL Bureau funded the participation of a low-level Belarusian police officer to an FBI regional organized crime seminar in Tallinn.

Georgia: In FY 2000, the INL Bureau continued to support the DOJ/OPDAT Resident Legal Advisor (RLA) in Tbilisi as a component of the Georgia Border Security and Law Enforcement Assistance Program, to assist in legal reform, training of the procuracy and the design and implementation of a major bilateral anti-corruption initiative. The INL Bureau also provided funding for a Georgetown-designed anti-corruption curricula program for Georgian schools. The INL Bureau funded Georgian officials' participation in the Georgetown Transnational Crime Seminar. In addition, the INL Bureau provided support to the U.S. Embassy in Tbilisi for a PSC to assist in the management and coordination of INL programs.

Kazakhstan: In FY 2000, the INL Bureau awarded \$915,299 for law enforcement training to Kazakhstan. Topics included firearms/explosives training; DEA's drug enforcement, forensic chemist, and asset forfeiture courses; violent crimes profiling; environmental crimes training; criminal procedures; training in prosecuting transnational organized crime and counter-narcotics; intellectual property rights protection; and several courses promoting anti-corruption. In addition, the INL Bureau provided assistance to U.S. Embassy in Almaty by supporting a PSC to assist in managing INL programs.

Kyrgyzstan: In FY 2000, the INL Bureau funded \$242,436 in training for Kyrgyzstan. Courses addressed border security and included DEA's airport operations training; travel document fraud; border control (including Customs' integrity training); and a Treasury financial advisor. The INL Bureau also funded equipment related to border control. In addition, the INL Bureau provided assistance to the U.S. Embassy in Bishkek by supporting a PSC to assist in managing INL programs.

Moldova: In FY 2000, the INL Bureau provided \$918,048 for Moldova in law enforcement training in a variety of subjects, including sex crimes investigations, counter-narcotics training, auto theft, money laundering, investigating and prosecuting transnational organized crime, anti-corruption and a border control advisory program. The INL Bureau continued to fund a DOJ/NIJ program establishing computer laboratories connecting Moldovan criminal justice agencies to an international criminal justice network.

Russia: In FY 2000, the INL Bureau awarded over \$2 million for law enforcement police and procuracy training in Russia. Recipients of training included Russia's Ministry of Internal Affairs (MVD), Tax Police, Border Guards, Immigration Service, Customs Service, Central Bank, and the Procurator's Office. Topics included counter-narcotics, undercover operations, anti-corruption efforts, computer crimes, money laundering, economic fraud and counterfeiting, combating organized crime (including strike force development), immigration training, a variety of legislative and judicial assistance, maritime law enforcement training, and border control. The INL Bureau also sponsored the DOJ Resident Legal Advisor (RLA) program; an intermittent financial advisor; a USCS international visitor program; and Russian participation in a regional FBI organized crime seminar in Tallinn. The INL Bureau also awarded nearly \$3 million in grants for community policing throughout Russia. In addition, the INL Bureau supported the Law Enforcement Section at the U.S. Embassy in Moscow, which serves to coordinate training and assistance provided by INL and provides reporting on Russia's crime and drug policies.

Tajikistan: For FY 2000, the INL Bureau provided \$753,955 in training to Tajik law enforcement officials. Course topics include post-blast investigations; firearms trafficking; counter-narcotics training, including investigations and prosecutions, money laundering, crisis management, anti-corruption; and drafting legislation. The INL Bureau also funded Tajik participation in the Georgetown Crime Seminar and an intermittent financial advisor.

Turkmenistan: In FY 2000, the INL Bureau funded \$575,168 in training to Turkmen law enforcement officials in the areas of drug enforcement (including forensic chemist training), anti-corruption, community policing, and law enforcement development. The INL Bureau also funded an intermittent financial advisor, and provided assistance to the U.S. Embassy in Ashgabat by funding a PSC to assist in managing INL programs.

Ukraine: The INL Bureau continued to fund the Resident Legal Advisor in Kiev to assist in legal reform and to help reform Ukraine's judiciary and procuracy. The INL Bureau also funded a variety of courses addressing counter-narcotics, domestic violence, environmental crimes, white collar/financial crimes, money laundering, asset forfeiture, auto theft, anti-corruption, immigration, judicial assistance, and intellectual property rights enforcement. INL also funded Ukrainian attendance at the Georgetown Crime Seminar; a national academy development program; and English language training for police. INL continued to fund a DOJ/NIJ research partnership with the Ukraine Academy of Law Sciences, which includes the establishment of criminal-justice Internet laboratories.

Uzbekistan: In FY 2000, the INL Bureau continued to focus efforts in Uzbekistan on counter-narcotics and border control, and enhanced the U.S.-Uzbekistani bilateral relationship. Uzbekistani law enforcement authorities received instruction in drug enforcement, airport operations, and forensic chemistry; and specialized training in precursor chemical controls, maritime law enforcement, border vehicle inspection and passenger interviewing. INL also funded training to investigate and combat violent crimes, domestic violence, computer crimes and crimes against children. INL also contributed funding for border control equipment. In addition, the INL Bureau provided assistance to the U.S. Embassy in Tashkent by funding a PSC to assist in managing INL programs.

U.S. DEPARTMENT OF JUSTICE (DOJ) - OFFICE OF OVERSEAS PROSECUTORIAL DEVELOPMENT, ASSISTANCE AND TRAINING (OPDAT)

The goal of OPDAT's criminal justice assistance program is to help the NIS countries reform their criminal justice systems so that they can more effectively combat organized crime and corruption. OPDAT is working in collaboration with the American Bar Association's Central and East European Law Initiative (CEELI) and the American University's Organized Crime Centers to pursue the following objectives:

- developing and providing training in effective investigative and prosecutorial techniques and procedures in accordance with the laws of the host countries;
- promoting effective cooperation between prosecutors and local law enforcement agencies, including joint prosecutor-investigator strike forces and other multi-agency task forces to combat transnational crime;
- monitoring and reviewing the preparation of key criminal and procedural legislation and providing commentary to legislators upon request;
- providing training to high-ranking legal and law enforcement officials on criminal justice topics of mutual interest;

- assisting in the development of a curriculum for indigenous legal/educational training institutes for judges, prosecutors and other entities within the criminal justice system; and
- providing public information/education on criminal justice reforms through local media, public symposia and lectures at universities.

Armenia: In FY 2000, DOJ/CEELI continued its efforts to support the implementation of Armenia's new Criminal Procedure Code that became effective in January 1999 by partnering with the Armenian Judicial Training Center in Yerevan to conduct the first in a series of judicial training sessions on the new Code provisions. Similar training programs were also initiated with the Young Lawyers of Armenia.

Georgia: OPDAT continued providing long-term, in-country support entailing legislative assistance and technical support for the Ministry of Justice and Prosecutor General regarding public corruption, organized crime, fraud and money laundering through our Resident Legal Advisor (RLA) in Tbilisi. OPDAT assisted the Georgian government in the establishment of an Anti-corruption Commission, an Inspector General's Office within the Procuracy, and a qualifications exam for the Procuracy as part of an overall reform program of the Procuracy. An Intermittent Legal Advisor is currently stationed at the American Embassy in Tbilisi to continue overseeing the development of the Anti-corruption Commission, and the new RLA will be posted in Georgia in early 2001. In August, DOJ/CEELI initiated a criminal law program in Georgia and placed a criminal law liaison in Tbilisi to work with the Georgian Parliament, the Ministry of Justice, the Supreme Court, the Constitutional Court, the Procuracy, and various NGOs focusing on criminal law reform efforts.

Moldova: In February, DOJ/CEELI organized and accompanied a group of Moldovan prosecutors for the OPDAT Regional Conference on Investigating and Prosecuting Transnational Organized Crime at the International Law Enforcement Academy (ILEA) in Budapest, Hungary. CEELI also conducted a series of three workshops on "The Changing Roles of Law Enforcement and Prosecutors in Criminal Prosecutions" for a total of 81 prosecutors and law enforcement officials in Chisinau, Moldova. In October 2000, OPDAT and CEELI brought the Chief Justice of the Supreme Court and three parliamentarians from the Republic of Moldova to Washington, D.C. and Annapolis, Maryland to observe U.S. criminal procedure by meeting with federal judges, Assistant US Attorneys, FBI Special Agents and other law enforcement agency members. The program's mission was to assist the Moldovan officials in finalizing the drafts of the Criminal Procedure Code by viewing some of the procedures being contemplated by the drafters of the code.

Russia: In FY 2000, the DOJ/CEELI Russia program focused on three areas: regional training programs for criminal law judges, training on the investigation and prosecution of financial crimes, and anti-corruption efforts. CEELI continued its partnership with a group of investigators and trainers from the Saratov Juridical MVD Institute conducting training in Samara for 50 prosecutors, investigators and defense attorneys on "The Investigation and Prosecution of Economic Crimes." Throughout FY 2000, DOJ/CEELI held its monthly Corruption Roundtable series in Moscow with over 120 members of the Moscow law enforcement community and judiciary. In conjunction with the Russian Judicial Department, CEELI conducted two regional training programs in Omsk and Kirov for 120 criminal law judges from 11 regions of Russia, focusing primarily on the Russian Draft Code of Criminal Procedure. As follow-up to this training, in September, CEELI and OPDAT conducted a two-day workshop with the Committee on Legislation of the State Duma (lower house of parliament) and the Working Group on the Draft Code of Criminal Procedure to work on and consider revisions to the Draft Code for its second reading. In attendance were 80 legislators, prosecutors, advocates, judges and investigators from Moscow and many of Russia's regions. In June, DOJ/CEELI partnered with Transparency International and the National Anti-Corruption Committee of Russia (NACR) to conduct a "National Integrity Workshop on Formulating a Strategic Plan for Fighting Corruption" with over 80 participants from law enforcement, executive, legislature, judiciary, media and private business participating. In September 2000, OPDAT worked with the U.S. Attorney's Office in Los Angeles and the Organized Crime and Racketeering Section to sponsored a U.S.-Russia law enforcement exchange. A delegation of 14 Russian law enforcement representatives specializing in investigating and prosecuting organized crime met with their U.S. counterparts. The working-level exchange was designed to provide both Russians and Americans actively engaged in anti-organized crime efforts with the opportunity for true peer contacts, with the goals of increasing the level and quality of our bilateral cooperation in this area. The Russian delegation included six representatives of the General Procuracy, five representatives of the Ministry of Internal Affairs, two from the Federal Security Service and one from the Tax Police. A main focus of the program was how to use the existing formal and informal means of bilateral cooperation—including, specifically, the four-year-old U.S.-Russian Mutual Legal Assistance Agreement—more effectively.

- With funding from OPDAT, the American University's Transnational Crime and Corruption Center (TraCCC) continued to manage the operation of five regional research centers on organized crime and corruption in Russia. These include Moscow, Yekaterinburg, Irkutsk, Vladivostok, and the newly opened St. Petersburg Center (May 2000). In FY 2000, the centers planned and hosted a public event on organized crime and corruption (Yekaterinburg, November 1999), one on international cooperation in the struggle against transnational crime and corruption (Yekaterinburg, March 2000), one on combating organized crime and corruption (Vladivostok, April 2000), one on defining and preventing trafficking in people (Irkutsk, July 2000). TraCCC and its overseas centers began to publish a quarterly Russian-language journal on organized crime and corruption, which TraCCC's centers distribute to the governors of Russia's 89 regions, as well as to Duma members, local and oblast government officials in the regions where TraCCC centers are located, lawyers, law enforcement officials, tax police and academics. In September 2000, TraCCC also hosted a one scholar from Ukraine and two from Russia under a program in Washington, D.C. on money laundering and financial crimes. The visiting scholars met with U.S. Government officials and held a seminar on economic crimes attended by U.S. policymakers. TraCCC also translated Abadinsky's "Organized Crime" textbook from English into Russian, which the St. Petersburg Center will publish. The textbook will be used as an instructional manual in institutes of higher learning, continuing education programs, law schools and law enforcement academies.

Ukraine: DOJ/CEELI continued its work with the Ukrainian Supreme Court on the Ukrainian bail law with training held in Dnipropetrovsk, Zaporizhzhya, Uzhgorod, and Sumi for over 100 judges. In June, CEELI conducted a US-based training for six members of the Ukrainian Judiciary in Baltimore, Maryland and Washington, DC to provide the judges with a first hand view of the adversarial process. Following this program, judges from the Ukrainian delegation worked with CEELI on developing and conducting an interactive seminar on "Adversarial Procedure in the Criminal Courts" for 25 judges from the Crimea. CEELI also conducted several lectures at the Prosecutorial Training Institute on evidence issues in sexual assault cases and ethics. In partnership with its Kharkiv Center for the Study of Organized Crime, TraCCC planned and hosted two major international conferences in Ukraine on financial and banking crimes and on crimes against the individual. In FY 2000, TraCCC and the Kharkiv Center instituted a lecture series for the Kharkiv Administration to Combat Organized Crime and the Kharkiv Oblast Administration of the Security Service intended to stimulate dialogue among scholars and practitioners on contemporary organized crime and corruption issues. Eleven Ukrainian practitioners and scholars were involved in TraCCC's Money Laundering and Financial Crimes project. This group, along with their Russian counterparts (see above), met in Budapest, Hungary in June to discuss their findings and further collaborative research. They also presented a half-day seminar on their findings for ILEA training participants.

Uzbekistan: DOJ/CEELI continued its work with the Uzbek criminal justice community by organizing a series of trial advocacy workshops for members of the procuracy, judiciary and defense bar. Such workshops marked the first time that all three professions met together to discuss this fundamental aspect of an adversarial criminal justice system.

Regional Programs: In October 1999, OPDAT held a two-day symposium in conjunction with the Syracuse University College of Law's Center for Global Law and Practice on cross-cultural insights into prosecuting transnational crimes. Eleven prosecutors from Ukraine and Russia attended, along with law professors from the host institutions—St. Louis University, the American University, and University of Trier (Germany). The program's goal was to discuss methods of improving transnational cooperation in the investigation and prosecuting of money laundering, drug trafficking, bribery and other crimes that transcend borders in Europe and North America.

TRADE AND INVESTMENT PROGRAMS

U.S. EXPORT-IMPORT BANK (EX-IM BANK)

In FY 2000, Ex-Im Bank expanded its financing of U.S. exports to the NIS countries. As the region recovered from the twin shocks of the Asian financial crisis of 1997 and the default of the Russian Government in 1998, demand for U.S. goods and services increased, although the figures were not substantially greater than FY 1999. In FY 2000, Ex-Im Bank authorized a total of \$ 293.0 million, covering insurance transactions, as well as medium and long-term guarantees and loans. This represented a modest increase of 12.26 percent from FY 1999, when the aggregate total was \$261.0 million.

The breakdown for authorizations within the NIS for FY 2000 was as follows:

| | |
|-------------|-------|
| Russia: | 60.5% |
| Azerbaijan: | 23.0% |
| Uzbekistan: | 10.0% |
| Kazakhstan: | 5.0%. |

Russia: As Russia slowly recovered from the effect of the financial crisis of 1998, and the macroeconomic and political situation improved throughout 1999, Ex-Im Bank moved to expand its programs in Russia. In FY 2000, Ex-Im Bank supported five long-term guarantee transactions in the amount of \$176.9 million. These transactions were quite diverse in nature; (i) \$14.9 million (two transactions) to support the sale of Caterpillar equipment to Almazy Rossii Sakha, a diamond-mining company in eastern Siberia; (ii) \$30.0 million to finance the sale of medical equipment by an Ohio company for a children's hospital in Moscow; (iii) \$129.5 million to support the sale of Pratt & Whitney engines to develop the Ilyushin-96 cargo aircraft to be used by Aeroflot; (iv) \$1.5 million to finance avionics for the Volga-Dnieper Airlines. Ex-Im Bank also authorized one small insurance transaction for approximately \$0.1 million. In addition, Ex-Im Bank re-authorized \$492.0 million to support the export of drilling and other oil production equipment, and oil engineering services by Halliburton, ABB Lummus Global and many other U.S. suppliers in the Tyumen Oil transaction. Since this action was a re-authorization of earlier approvals, this amount was not included in the final aggregate totals for FY 2000.

Western NIS

Ukraine: Given the worsening macro-economic situation in Ukraine in FY 2000, and the occurrence of several defaults by the Government of Ukraine, Ex-Im Bank provided no support for exports to Ukraine in FY 2000. Claims made by guaranteed lenders to Ex-Im Bank in such defaulted transactions amounted to \$165.0 million in FY 2000. Ex-Im Bank looks forward to resolution of these outstanding claims so that support for U.S. exports can resume in the near future.

Belarus, Moldova: Ex-Im Bank provided no support for U.S. exports to Belarus or Moldova in FY 2000. In FY 2000, Ex-Im Bank did execute one agreement with the Government of Moldova, a Framework Government Guarantee Agreement, dated March 13, 2000 (to establish the procedures for sovereign-guaranteed transactions) and expected to conclude a Project Incentive Agreement, which would establish procedures and host government support for private sector project financing, where Ex-Im Bank looks to the revenues generated by the project to assure repayment of the debt, rather than rely on government guarantees.

Central Asia

Kazakhstan: In FY 2000, Ex-Im Bank approved a small medium-term insurance transaction with Halyk Bank in the amount of approximately \$1.4 million. This transaction was structured with a guarantee by Halyk Bank without the support of a sovereign guarantee.

Uzbekistan: Ex-Im Bank approved one transaction in FY 2000, a \$30.5 million long-term guarantee for the export of agricultural equipment by the Case Corporation. The obligor in the transaction is the National Bank of Uzbekistan, supported by a sovereign guarantee. This figure represents a decrease from FY 1999, where Ex-Im Bank supported four long-term transactions in the amount of \$256.0 million.

Kyrgyzstan, Tajikistan: Ex-Im Bank is currently off-cover for all financing programs in Kyrgyzstan and Tajikistan.

Turkmenistan: Ex-Im Bank provided no financing support for U.S. exports to Turkmenistan in FY 2000.

Caucasus

Azerbaijan: In FY 2000, Ex-Im Bank provided financing in the amount of \$67.3 million to support the sale of two Boeing planes to Azerbaijan Airlines. The structure used is a full pay-out finance lease, where the obligor is a special purpose company (SPC) established in a neutral jurisdiction. Such SPC holds title to the aircraft until such time as the debt is completely repaid, whereupon title is then transferred to the buyer airline.

Georgia, Armenia: Ex-Im Bank provided no financing support for U.S. exports to Georgia and Armenia in FY 2000.

Caspian Initiative: Beginning in June 1999 and throughout most of FY 2000, Ex-Im Bank stationed a senior representative at the interagency Caspian Finance Center in Ankara, Turkey. Ex-Im Bank coordinated efforts with the Overseas Private Investment Corporation (OPIC) and the Trade and Development Agency (TDA) to spur U.S. exports and investment in the Caspian region. Although Ex-Im Bank's representative was no longer posted in Ankara after June 2000, Ex-Im Bank remained fully committed to identifying and supporting creditworthy projects in the region, including the proposed Baku-Ceyhan pipeline from Azerbaijan through Georgia to the southern coast of Turkey. To this end, Ex-Im Bank and TDA agreed to conclude a Memorandum of Understanding in FY 2001, whereby TDA, using FREEDOM Support Act funds, would agree to partially underwrite Ex-Im Bank's activities in the Caspian region.

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

OPIC provides financing through direct loans and loan guaranties that provide medium- to long-term funding to ventures in developing countries and emerging markets that involve significant equity and/or management participation by U.S. businesses. OPIC also provides political risk insurance to U.S. investors to mitigate the risks of overseas business ventures in these areas.

OPIC's insurance and financing continues to be in demand in Russia and other NIS countries. While historically the demand has been greatest from U.S. companies investing in the telecommunications, energy, financial services, and manufacturing sectors, there has more recently been interest in the agribusiness, services, and technology sectors. Russia continues to dominate OPIC's business in this part of the world both in terms of aggregate insurance issued and number of projects. OPIC clients continue to struggle with the difficult operating environment in the NIS, and OPIC is actively working to avert a number of potential claims from clients in Russia and other NIS countries.

In FY 2000, OPIC committed to provide insurance to one new project in the NIS:

- OPIC has committed to provide up to \$50 million in political risk insurance to the *MTV Russia Holdings Inc.* project in Russia for television broadcasting.

In FY 2000, OPIC committed to provide financing to two projects in the NIS:

- OPIC committed up to \$26 million to the *Hotel Tbilisi* in Georgia to support the country's tourism and business communities. The sponsor is Bob Walsh Enterprises International, Inc.
- OPIC committed up to \$632,000 to the *Abamedia* project in Russia, which involves the development and operation of an electronic catalog and web site for the film collection of the Russia State Archives of Film and Photo Documents, located in Krasnogorsk. Abamedia, L.P. sponsors this project.

OPIC also has currently five projects in the Finance pipeline for the agribusiness, manufacturing and general services industries in the NIS, and three projects in the Insurance pipeline for the energy and equipment leasing industries in the NIS.

U.S. TRADE AND DEVELOPMENT AGENCY (TDA)

The U.S. Trade and Development Agency (TDA) is a small, independent federal agency that moved quickly to establish its program in the region after the breakup of the Soviet Union, and provided its first feasibility study grant in 1992. Since that time, TDA's NIS program has continued to grow. Until recently, much of TDA's activity in the NIS has been concentrated in Russia, but its regional team has made a continuing effort to increase TDA's program in Central Asia, the Caucasus, and Ukraine. In the last year, TDA was again particularly active in the Caspian region, supporting several projects in the oil and gas sector.

In the few short years since opening for business in the NIS, TDA has funded studies on over 225 major infrastructure and industrial projects. These projects present export opportunities of more than \$6 billion for U.S. companies. Exports of U.S. goods and services related to those projects already total about \$600 million. In FY 2000, program funds obligated for the NIS totaled \$5,470,139, most of which was for feasibility studies on projects in the areas of oil and gas, and environmental remediation.

For FY 2001, TDA will continue its business development programs. TDA is additionally considering holding a conference on information technology opportunities in the NIS region.

Russia: In FY 2000, there was a large decline in requests for TDA assistance because of continuing concerns about the economic situation in Russia. Highlights of FY 2000 projects include Technical Assistance of \$25,000 for the plutonium reactor shutdown in Tomsk, a feasibility study grant of \$600,000 for establishing a finance leasing entity to introduce new fishing vessels in the Far East, a feasibility study grant of \$375,000 for nuclear waste cleanup at Chelyabinsk, and partial funding of \$160,000 for a feasibility study for construction of the new ILKO refinery in Tambov. A Definitional Mission examining opportunities in the railway sector was also funded.

Central Asia: In FY 2000, TDA's activities in Central Asia included continued high-visibility support for the U.S. Government's Caspian Basin energy policy. In Kazakhstan, TDA provided \$600,000 for a Gas Utilization Study aimed at determining the uses for Kazakhstan's extensive natural gas reserves, which would thereby enable Kazakhstan to commit oil volumes to the Baku-Tbilisi-Ceyhan main export pipeline for oil. In addition, TDA funded the work of a consultant who traveled to Aktau, Kazakhstan, to seek out prospects for the development of an oil terminal, which would facilitate the export of Kazakhstani oil via Baku. TDA funded the travel of a consultant to Uzbekistan, as well, to determine whether there might be opportunities for U.S. investors in the oil and gas sectors there. TDA also made a successful effort to identify projects in the non-oil and gas sector in Central Asia in FY 2000. TDA provided almost \$1 million worth of grants to Kazakhstan for the upgrade of the air traffic control system, the development of a gold mine at Naimanjal, and in support of a World Bank-financed electricity transmission project. In addition, TDA funded orientation visits to the United States by officials from Kazakhstan's rail sector and Kyrgyzstan's mining sector.

Caucasus: TDA activities in Georgia in FY 2000 included a \$400,000 grant to the Office of the President for a strategic advisor on oil and gas issues, as well as a grant of \$143,020 to the Ministry of Education for a feasibility study on setting up internet-based communications centers in academic institutions. In Armenia, TDA provided a \$100,000 technical assistance grant to examine the feasibility of setting up a venture capital fund with seed money from the IFC and EBRD. Also in Armenia, TDA provided a \$250,000 grant to the National Union of Cooperative Societies (HAYCOOP) for a feasibility study on establishing a sugar beet refinery in the Spitak or Gyumri regions of the country; Armenia's sugar producing capacity was destroyed in the devastating 1988 earthquake. And in Azerbaijan, TDA supported the creation of a Center for Environmental and Water Monitoring with a \$253,000 grant, as well as an orientation visit to the U.S. of a group of eight Azerbaijani businesspeople from the construction sector.

Ukraine: In FY 2000, TDA provided a \$197,500 grant to look at the feasibility of establishing a biodiversity protection corridor along the Black and Azov Seas. In addition, TDA provided \$400,000 to the Odesa Municipal Council for a feasibility study on the technical upgrade and institutional overhaul of the Odesa District Heating System.

ENTERPRISE FUNDS

The Enterprise Fund concept, which began with the Central and East European countries in 1989, was extended to the NIS after the collapse of the former Soviet Union in 1991. The U.S. Government-funded Enterprise Funds are designed to promote private-sector development, including small businesses, joint ventures and the agricultural sector, as well as policies and practices conducive to private-sector development. The Funds are authorized to provide loans, grants, and equity investments, and to support feasibility studies, technical assistance, training, insurance, guarantees and other mechanisms to achieve the above-mentioned objectives. The Enterprise Funds have provided venture capital in situations where financial markets are still evolving and the business environment is so fragile that foreign investors are reluctant to commit funds to emerging small and medium-sized enterprises. The programs offered by the funds range from venture capital to lending for micro-enterprises. The Funds have also assisted enterprises by providing limited technical assistance and training. Private boards of directors set policy and oversee the management of the Funds with almost complete independence from the U.S. Government. Some boards have performed extremely well, while others have had mixed results. The following table shows the basic financial status of the Enterprise Funds and other equity capital funds operating in the NIS as of the end of FY 2000 :

| FINANCIAL STATUS OF U.S. GOVERNMENT-BACKED FUNDS AS OF SEPTEMBER 30, 2000 | | | |
|--|---------------|---------------|---------------|
| | AUTHORIZED | OBLIGATED | EXPENDED |
| ENTERPRISE FUNDS | | | |
| The U.S.-Russia Investment Fund (TUSRIF) | \$440m | \$234m | \$221m |
| Western NIS Enterprise Fund (WNISEF) | \$150m | \$117m | \$91m |
| Central Asian - American Enterprise Fund (CAAEF) | \$150m | \$111m | \$104m |
| SUBTOTAL | \$740m | \$462m | \$416m |
| EBRD SMALL BUSINESS FUNDS | | | |
| Russia Small Business Fund | \$35m | \$35m | \$26m |
| Lower Volga Regional Venture Fund | \$20m | \$20m | \$10m |
| TRANS-CAUCASUS FUND | \$25m | \$25m | \$9m |
| TOTAL | \$820m | \$542m | \$461m |

Western NIS Enterprise Fund (WNISEF)

The WNISEF was established in 1994 to accelerate private sector development in Ukraine, Moldova and Belarus. Most investments have been in Ukraine. The WNISEF also has an office in Moldova, where it has made three investments and committed to two others. The WNISEF has a representative office in Belarus, but has made no investments or loans there because the environment is hostile to normal commerce.

The WNISEF supports the development of the private sector by making direct debt and equity investments in medium size companies and by providing them with technical assistance for restructuring and expansion. The WNISEF seeks to demonstrate to the global financial community that profitable investments can be undertaken in the Western NIS region. Besides its program of direct equity investment, WNISEF helps small business through its small business loan program, and contributes to policy reforms in a variety of ways. Their investments create jobs and wealth for the region.

As of September 30, 2000, the end of its fifth full year of operations, the Fund had net outstanding commitments of \$65 million to 20 companies. The amount of net outstanding commitments takes into account repayments of debt, as well as negotiated final legal commitments. Of the 20 outstanding commitments, the Fund has closed 16 transactions representing approximately \$51 million of committed capital. The remaining commitments represent new transactions approved preliminarily by the Fund's

Investment Committee and in documentation. The companies affected by the 16 transactions employ approximately 5,600 people. They exert a growing economic impact on their communities, with estimated sales growing to about \$105 million in FY 1999, compared to \$70 million in FY 1998, and \$30 million in 1997.

Over its lifetime, the WNISEF's Small Business Loan Program (SBLF), which operates only in Ukraine, has made loans totaling \$3.7 million to 66 small businesses employing about 2,000 people. Only 30 of these loans were still outstanding at FY end, with \$0.9 million outstanding. The SBLF is not making new loans and will liquidate its existing loans over the next year and a half.

In Ukraine, the Fund intends to replace the SBLF with a micro-finance bank that it will establish in collaboration with the EBRD, IFC, the German-Ukrainian Fund and two European investment funds. Through this new entity the Fund will significantly increase its small business lending initiative. The bank will have professional banking management who also have extensive regional experience. In time, the bank is expected to become a full service institution focussed on small business. A similar, but smaller, bank, with most of the same collaborators, was established in Moldova at the beginning of calendar year 2000.

Among the most important issues that arose with this Fund in FY 2000 was a shareholder rights battle with one of the companies to which it had extended a loan and in which the Fund also bought a minority equity interest. The Fund's Ukrainian partner, who founded the company, and is its majority owner and general manager, is allegedly diverting money from the company, which has defaulted on the loan from the Fund. As of November 2000 the Enterprise Fund was battling in the U.S. and Ukrainian courts to foreclose on the loan and seize the company, but the outcome is still uncertain. This battle illustrates the shortcomings of the shareholders' rights law in Ukraine, and the consequent difficulty of protecting those rights. The court decisions that result from this case will set important precedents.

Sustainability is becoming an issue for this Fund, because it expects to run out of capital in 2003. In general, its companies are doing well, but the Fund itself doesn't have much income because most of its investments are in the form of equity and don't generate loan interest. The Fund won't replace the capital it has expended on operations until it can realize capital gains from the sale of its investments. However, few investors currently want to buy Ukrainian companies because the general environment for foreign investment has serious deficiencies. In order for the Fund to become sustainable, therefore, some combination of the following things must happen. Either the Ukrainian economy has to become more attractive so the Fund can profitably sell assets, or the Fund has to attract investment capital from private sources, or the Fund has to make more loans to generate interest income to support its expenses.

Central Asian - American Enterprise Fund (CAAEF)

The Central Asian - American Enterprise Fund (CAAEF) was created in 1994 to promote creation of small and medium-sized businesses in Central Asia. The CAAEF has a total authorized capitalization of \$150 million with \$111 million obligated (paid-in to the Fund), to date. In FY 2000, the macro-economic environment continued to deteriorate in all countries in the region, with only Kazakhstan showing relative gains in some indicators. In general, government monopolies, central planning, incomplete privatization and bureaucratic over-regulation have resulted in an unfavorable investment and general business climate, resulting in slow private sector growth, and a somewhat hostile environment for small and micro business.

In Kazakhstan, currency devaluation contributed to inflationary pressures and reduced savings, slowing non-oil related investment. The number of disputes between the Kazakhstani Government, the private sector, and foreign investors continues to increase and resolution of these disputes is slow. In Kyrgyzstan, currency devaluation, incomplete privatization, and a weak, under-capitalized banking system have resulted in slow growth and diminished prospects for direct foreign investment. The business environment is even more difficult in Tajikistan where periodic civil strife and lack of basic reforms have severely limited potential for private sector-led growth. Turkmenistan's economy remains dominated by the country's largely unreformed socialist government, continued reliance on public sector ownership and management of economic/financial assets and a business environment hostile to private enterprise. The CAAEF has not undertaken any new activity in Uzbekistan since August 1998 due to

currency convertibility issues which have not been resolved. The Fund continues to support its current investment portfolio, but has no plans for new investments or loans. While there is a small but dynamic private sector in Uzbekistan with which the Fund could work, unreformed government policies and the currency convertibility issue remain major obstacles to investment and private sector growth.

The CAAEF's Board changed senior management in 1998 and again in 1999. Along with these changes in leadership, the Fund undertook two full-scale strategic reviews, revalued its portfolio, and made a number of staff changes. Serious efforts were made to reduce high operating expenses and to put into effect workout and other recovery actions for a number of equity investments. Many of the CAAEF's larger equity investments were written off and the small and micro loan programs were reorganized and refocused to bring them into congruence with Fund's operating policy. The strategic refocus and new management of the Fund have resulted in several changes in policy. Few new direct equity investments are planned given the difficult business environments of each country and new loan programs for both micro-enterprise and small lending, are more closely aligned to Fund objectives. As of May 2000, the CAAEF's investment portfolio valued at cost, after subtracting investment sales and loan repayments is \$67 million. With a current value of approximately \$36 million, the Fund has suffered losses of \$31 million in its investment portfolio since inception of operations.

While the CAAEF's equity investment portfolio has suffered serious losses, its small and micro-enterprise lending programs have been more successful in achieving objectives. The CAAEF has made \$29 million in small and medium-sized loans, of which \$14 million has been repaid. Write-offs have been approximately \$2.1 million over the life of the program and loan delinquencies have declined to approximately 15 percent. CAAEF has invested \$3.6 million in micro-lending, principally in Kazakhstan and Kyrgyzstan with over 1000 loans made to micro-businesses. The Fund reorganized its micro and small business lending programs in FY 2000 and expects further results from its continuing relationship with the small business sector in the region.

Over the past three fiscal years, USAID has increased its monitoring and review of Fund operations given the numerous changes in management and staff and continuing portfolio performance problems. In FY 2000, USAID initiated reviews of the Fund's management, finances and operations designed to identify actions which, in consultation with Fund management, could assist the CAAEF to complete its strategic reorientation and rebalance its portfolio, setting the stage for improved investment performance and higher potential to meet both Fund and Freedom Support Act objectives for the region. USAID anticipates engaging fund management in discussions on these issues early in FY 2001.

The U.S.-Russia Investment Fund (TUSRIF)

TUSRIF was created in April 1995 by merging the Russian American Enterprise Fund (RAEF) and the Fund for Large Enterprises in Russia (FLER). In 1999, a new private company, Delta Capital Management, was created to manage TUSRIF. In addition to its Moscow headquarters and New York office, Delta Capital has offices in Yekaterinburg (in the Urals region), Khabarovsk (in the Russian Far East), Rostov-on-Don (in southwest Russia), and St. Petersburg (in Northwest Russia), as well as representatives based in Yuzhno-Sakhalinsk and Vladivostok. As of September 30, 2000, Delta Capital had funded \$52 million in loans and mortgages through the Bank Partner Program to 1,880 small businesses and individuals, \$121 million in direct financing to 31 firms and \$32 million for its financial services program. The sectoral distribution of the direct financing is as follows: 4% for agribusiness; 10% for broadcasting/publication; 16% for consumer products; 12% for manufacturing; 14% for natural resources; 7% for retailing; 14% for telecommunications; 7% for leisure; 15% for health-care/pharmaceuticals; and 1% for other sectors. In addition to providing capital to its portfolio companies, Delta Capital is providing technical assistance for management training, information system development, and advisory services.

The Fund's financial services program includes the Bank Partner Program that makes loans to small businesses and residential mortgages to individuals through 49 branches of Russian Partner Banks, Delta Leasing which finances equipment and automobile leases for small and medium sized businesses through four offices covering nine regions, and Delta Credit which was established as Russia's first full service mortgage brokerage operation. In August 2000 the Fund acquired a Moscow-based commercial bank, The Development and Reconstruction Bank (DRB). The DRB's strategy is to build up a volume of

fee earning businesses in the corporate and personal sectors and to build a substantial direct loan portfolio.

Subsequent to the Russian financial crisis of 1998 and throughout Fiscal 1999, the Fund primarily made direct equity investments to companies already in the portfolio. In early 2000 with renewed faith in the economy, the Fund began actively seeking to close new equity investments. Three new direct investments were concluded in 2000 and the pipeline of prospective investments is the best it has been in the history of the fund. The Fund expects to become fully invested within three years through the broad provision of financial services and a primary industry focus of consumer products distribution and TMT (telecommunications, media and technology).

The Fund also has a special mandate to invest \$40 million of its resources in the Russian Far East. As of March 2000, direct investments amounted to \$11.4 million and loans amounted to \$6.1 million. On a proportionate basis, this total of \$17.5 million compares favorably to TUSRIF's disbursements to the rest of Russia.

Lower Volga Regional Venture Fund (LVRVF)

The LVRVF is one of 12 European Bank for Reconstruction and Development (EBRD) Russian regional venture funds. The LVRVF is part of an initiative agreed upon by the G-7 governments and the European Union at the Tokyo Summit in July 1993 to support small and medium enterprise development in Russia. The LVRVF began operations in May 1995 with a \$30 million capital commitment from EBRD, a \$3 million commitment from the fund manager, and a pledge of \$20 million from USAID to cover technical assistance and operating costs during the ten-year life of the fund. The LVRVF's primary areas of operation are the Volgograd, Samara and Saratov regions, and it has adapted an early-stage venture capital investment strategy to the Russian business environment. The LVRVF actively participates in corporate governance and invests in above-average growth companies. Seventy-five percent of the Fund's capital must be invested in the Lower Volga Region and in newly privatized companies. In 1999, the Board of the LVRVF voted to change the Fund's management to Russia Partners, LLP, a division of Siguler-Guff of New York, which has restructured the portfolio and has put senior management in place in the region. As of June 30, 2000, the LVRVF's cumulative investments amounted to \$17.82 million and \$10 million of the USAID grant had been utilized.

Trans-Caucasus Enterprise Fund

In FY 1996, the U.S. Congress earmarked \$15 million for the creation of a Trans-Caucasus Enterprise Fund to promote regional cooperation and private-sector development in Armenia, Azerbaijan and Georgia. An additional \$10 million was earmarked for this purpose in FY 1997, along with the authority to invest through other institutions. Beginning in September 1997, USAID provided Shorebank Advisory Services (SAS) with a \$20 million grant to implement a five-year Trans-Caucasus SME Finance Program. SAS has also mobilized \$9.4 million in complementary funding from the International Finance Corporation (IFC) and expects to attract further funding from the IFC, local savers, financial intermediaries and other investors. The primary focus of the Trans-Caucasus SME Finance Program is to create and promote financial products and institutions that meet the needs of small businesses and entrepreneurs. Non-financial enterprise development efforts such as training and networking are used to complement financial-sector initiatives. As of September 2000, offices had been established and lending operations had begun in each of the three countries. SAS initiated operations in Georgia in March 1998 through local partner banks. In 2000, the SME Program in Georgia approved 104 loans and disbursed nearly \$4.5 million. Average loan size is \$61,000, leading to the creation of 337 jobs and the retention of another 900 jobs. In Azerbaijan, the SME Program registered 22 loan approvals and disbursed \$430,000 with an average loan size of \$33,000. In Armenia, 15 loan approvals were registered for \$495,000 with an average loan size of \$33,000.

The micro-lending program implemented by the Foundation for International Community Assistance (FINCA) began operations in Georgia in May 1998 and has far exceeded targets and expectations, with over 7,000 clients and \$3.5 million in loan disbursements. Over half of the clients are female entrepreneurs. This program has achieved financial sustainability. Meanwhile, in Azerbaijan, suspension of FINCA's activities by USAID in response to harassment by the authorities finally ended in March 2000. Most of the

issues were resolved. This enabled lending of \$225,000 in the final quarter. Finally, in Armenia FINCA finished in strong fashion, with close to \$162,000 disbursed in the last quarter, bringing the total disbursements for the year to \$379,000. This program has become financially viable while making over 75% of its loans to female entrepreneurs.

In Georgia, the Developing Enterprise Loan Program (DELP) witnessed burgeoning growth in 2000. By year end, 136,000 new loans were approved for a value in excess of \$600,000. The average loan size was \$4,500. In Azerbaijan DELP finally launched its program, with 5 loans at a total value of \$37,000. The program had been hampered by a variety of legal issues until recently. In Armenia, DELP operates successfully in conjunction with the Small Enterprise Fund of World Vision. Over the past year, 54 loans were approved for a value of \$209,000. The average loan size is \$3,600.

EBRD Russia Small Business Fund

At the Tokyo G-7 Summit in 1993, the G-7 and Russian Governments asked the EBRD to establish and manage a Russia Small Business Fund (RSBF) through contributions from the EBRD, G-7 members and Switzerland. The RSBF provides loans to small and micro-enterprises through selected Russian commercial banks, with two main objectives: providing small business with finance and strengthening the capacity of the Russian banking sector to effectively lend to small businesses. The U.S. Government pledged \$30 million to the RSBF at the Tokyo Summit. These funds primarily financed technical assistance to the banks implementing the program. In 1998, the U.S. Government agreed to contribute an additional \$5 million in loan capital and stipulated that at least 50 percent of these funds go to the Regional Initiative (RI) sites of Samara, Novgorod, and the Russian Far East. Over a seven-year period, USAID's \$35 million has leveraged a \$450 million RSBF, which has disbursed a total of 39,000 loans to Russian enterprises. The RSBF program is currently making over 1,000 loans per month. The RSBF makes available loans of up to \$125,000 with maturities of up to three years. Such financing has not been previously available to small firms from local banks. The RSBF has also invested in small-enterprise equity funds in Nizhniy Novgorod and St. Petersburg. These funds, managed on behalf of the EBRD by Small Enterprise Assistance Funds (SEAF), invest a combination of equity and long-term debt in small businesses in the production or service sectors, with a maximum investment of \$700,000. The main banks participating in the RSBF program are Sberbank, Petrovsky Bank, NBD, and the Far Eastern Bank.

The EBRD is currently setting up a new financial institution for funding micro- and small enterprises through the RSBF. The EBRD will provide \$6 million in financing to help fund the reorganization and recapitalization of the existing Russian Project Finance Bank. The EBRD has also provided a \$30 million loan to the new bank through the RSBF, for lending to micro- and small enterprises. Work to set up the new institution began just before the August 1998 Russian financial crisis and it is now estimated that the final stages of recapitalization will be completed in November 2000. The new bank provides micro-credits of up to \$20,000, with maturities of up to two years. In addition, small loans will be made available in amounts up to \$125,000, with maturities of up to three years. As of the end of August 2000, the bank had disbursed almost 3600 loans for a volume of \$54 million. Over a five-year period the total is expected to reach 25,000 loans totaling \$300 million.

Defense Enterprise Fund (DEF)

In FY 1995, the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program shifted the focus of its defense conversion efforts from the direct creation of joint ventures to support for joint projects through the Defense Enterprise Fund (DEF). The U.S. Congress established the DEF to assist Russia, Ukraine, Kazakhstan and Belarus in privatizing their defense industries and converting their military technologies and capabilities to civilian activities. In practice, the DEF provides loans and grants and makes equity investments in joint defense conversion projects involving U.S. companies and NIS enterprises formerly involved in producing weapons of mass destruction (WMD). These activities support the U.S. national security objectives of eliminating weapons production capability and promoting the development of democratic, market-based systems in the NIS.

In FY 1997, funding responsibility for the DEF was transferred from the U.S. Department of Defense to the U.S. Department of State under the FREEDOM Support Act. The DEF has received a total of \$66.7 million from the

Departments of Defense and State. While no Defense Department funding has been appropriated for the DEF since FY 1995, and no State Department funding since FY 1997, the DEF's investments have contributed to the transformation of the former Soviet military industrial complex. The DEF has invested in a total of 10 projects in Russia, two in Kazakhstan, and one in Ukraine. Several DEF investment projects have been successfully harvested and, despite the August 1998 Russian financial crisis and its spill-over effects throughout the NIS, most remaining projects continue to perform adequately. Due to difficulties related to privatization laws and human-rights abuses in Belarus, the DEF has been unable to invest in projects in that country. Under new management in 1999, the DEF has invested almost all of the U.S. Government funds provided to it, and is now seeking to raise additional capital.

DISTRIBUTION OF DEF ACTIVITY BY COUNTRY AS OF DECEMBER 30, 2000

| <u>COUNTRY</u> | <u>PROJECTS</u> | <u>APPROVED COMMITMENTS</u> | <u>AMOUNTS FUNDED</u> |
|-----------------------|------------------------|--|----------------------------------|
| Ukraine | 1 | \$2.50m | \$0.81m |
| Kazakhstan | 2 | \$6.05m | \$6.05m |
| Russia | 9* | \$34.84m | \$31.51m |
| TOTAL | 12 | \$43.39m | \$38.37m |

(*Excludes a \$2.8 million project with Caterpillar and NevaMash that the DEF has already harvested.)

Russia: The DEF has continued and expanded the defense conversion efforts begun in Russia by the U.S. Department of Defense by providing financial support through loans, grants and equity investments for the demilitarization of industries and conversion of military technologies and capabilities into civilian activities. The DEF selects enterprises qualified for funding—such as privatized enterprises or spin-offs, defense enterprises or laboratories, with a priority placed on those enterprises previously engaged in WMD-related activities—that have partnerships with U.S. or other Western companies. The DEF has funded several successful conversion projects in Russia and has also helped the Russian Government and Russia's defense industry understand the requirements that conversion projects must meet in order to attract private-sector venture capital. As a direct result of DEF investments in Russia, a former manufacturer of nuclear submarine components is now building excavation equipment, and satellite tracking technology is now employed in private telecommunications applications.

Kazakhstan: The U.S. Department of Defense provided a total of \$7.0 million to the DEF for equity investments, grants and loans in joint ventures with Kazakhstani former WMD enterprises. The DEF has invested \$3.0 million in a Lucent project to create a second national telecommunications carrier using satellite communications and \$3.0 million in a KRAS Group venture to manufacture and market printed circuit boards and consumer electronics.

Ukraine: The DEF has committed to invest up to \$2.5 million in Liform, a venture that is already reclaiming a large, low-cost supply of scrap aluminum, brass and other metals from military hardware for resale on the world market.

U.S. DEPARTMENT OF COMMERCE - BUSINESS DEVELOPMENT COMMITTEE INITIATIVES (BDCI)

The Business Development Committee Initiatives (BDCI) Program supports the activities of the Business Development Committees (BDCs) established with Russia, Ukraine, Kazakhstan, Uzbekistan and Belarus. These committees are the U.S. Government's primary vehicle for supporting expansion of trade and investment with these countries and aiding their transition to market economies. The BDCs work to: (1) remove legal, regulatory, and practical impediments to trade and investment; (2) facilitate conclusion and implementation of commercial projects; (3) develop information and contacts in key industries and regions; and (4) create synergy between government and private sector resources and initiatives.

The BDCI Program also supports efforts of the U.S. Ombudsman for Energy and Commercial Cooperation with the NIS and other programs to conduct commercial dialogue and expand bilateral trade and investment with NIS countries with whom the U.S. does not have BDCs. In FY 2000, the BDCI Program worked with the governments of, and U.S. companies involved in, Kyrgyzstan, Turkmenistan, Uzbekistan, Armenia, Azerbaijan,

and Georgia to help improve the business climate and foster increased bilateral trade. The BDCI Program's major accomplishments in FY 2000 and plans for FY 2001 are described below:

Rule of Law for Business: In FY 2000, the Rule of Law for Business Project published a *Handbook on Commercial Dispute Resolution in the Russian Federation*, which will help U.S. companies navigate the Russian legal system in the event of commercial disputes. In cooperation with the Commerce Department's Special American Business Internship Training (SABIT) Program, BDCI conducted a three-month business ethics "train-the-trainer," program for five Russian professionals from Moscow, St. Petersburg, Samara and Novgorod, who, upon returning to Russia, began working with companies on adopting and implementing business codes of conduct in their regions.

In FY 2001, the *Handbook on Dispute Resolution* will be distributed to companies, libraries, non-profit organizations, and individuals in Russia and the United States. In response to numerous requests, a Russian-language version of the *Handbook* also will be published. FY 2001 will see development of a corporate governance guidebook for Russian executives and shareholders; roundtables, workshops, and the publication of a training manual and reference guide on business ethics; and development of a manual on the enforcement of arbitration awards in Russia.

U.S.-Russia BDC

Trade and Investment Climate: In FY 2000, the BDC helped Boeing obtain tariff waivers for the delivery of four B-767 planes leased to Aeroflot, and laid the groundwork for a new sale in 2001. The BDC also actively supported Russia's World Trade Organization (WTO) accession process, encouraging the Russian Government to ensure full market access in key industries.

The BDC Executive Council co-chair met with the new Russian BDC co-chair, Minister of Economic Development and Trade German Gref, who is responsible for a wide range of topics relating to the business climate in Russia. The consolidation of trade and economic policy-making responsibilities under the ministry overseen by the BDC co-chair, who is leading economic reform in Russia, bodes well for progress in FY 2001 on BDC investment climate issues, including rule of law for business, commercial taxation, production sharing agreements, and protection of intellectual property.

Commercial Taxation: FY 2000 saw significant progress toward achieving goals established by the BDC's Commercial Tax Dialogue. The Russian Government's new economic plan adopted in July 2000 provides for the government to adopt measures to relieve the tax burden on business, a BDC priority, and a major tax reform package passed by the Duma that same month received praise from the U.S. business community. The BDC Tax Working Group provided detailed suggestions for improvements in commercial taxation regulations, including tax audit and appeals procedures. During the year the government announced that VAT would be refunded on capital construction projects, a measure strongly recommended earlier by the Working Group.

Commercial Energy Sector: Throughout FY 2000, U.S. BDC representatives conducted an ongoing dialogue with Russian federal and local officials responsible for energy development and related policy, as well as with American companies. The new Ministry of Economic Development and Trade was given considerable responsibility for PSA implementation, which was a centerpiece of the BDC's energy-related work in FY 2000 and will be a major objective of the BDC in FY 2001.

BDC Industry Subgroups: In FY 2000, the BDC's Information and Telecommunications (ITT) Subgroup held two conferences on electronic commerce in Russia. The first introduced intellectual property rights issues that arise in e-commerce, and the second outlined the requirements for a regulatory framework to support e-commerce. The Health Industries Subgroup sponsored a seminar in St. Petersburg that provided training in standards and regulatory procedures for medical equipment and pharmaceuticals.

U.S. West Coast-Russian Far East Cooperation: In June, 2000, the U.S. West Coast-Russian Far East Ad Hoc Working Group (AHWG) held its fifth annual meeting in Monterey, California. Participants from eight regions of the Russian Far East and four U.S. states, as well as federal government representatives from both countries, discussed approaches to increasing bilateral trade in telecommunications, information technology, energy, finance, fisheries, mining, tourism, and transportation. In FY 2001, the annual meeting will be held in the Republic of Buryatia.

Clear-Pac Customs Clearance Project: The Clear-Pac Project made significant progress in FY 2000, and is now clearing goods on a pilot basis in Sakhalin and Vladivostok. The Project has received considerable support from the Russian Government, which has authorized the integration of Russian certifying agencies into the Clear-Pac network. The development of customs-clearing software is under way, and in FY 2001, Clear-Pac will be introduced in St. Petersburg.

U.S.-Ukraine Committee on Trade and Investment (CTI)

At the December 1999 meeting of the CTI, the two sides discussed commercial issues affecting the investment climate in Ukraine, including intellectual property rights, privatization, WTO accession, and the resolution of commercial disputes. The Health Industries Subgroup held a training session on pharmaceutical and medical equipment standards, which was highly praised by new Deputy Minister of Health Oleksandr Korotko. The Telecommunications Subgroup sponsored a two-day workshop featuring a comparative analysis of U.S. and Ukrainian telecom certification systems and a review of Ukrainian plans for standards development in the industry.

U.S.-Kazakhstan BDC

The U.S.-Kazakhstan BDC meeting in Washington in December, 1999, featured in-depth discussions of issues affecting the business climate, including commercial taxation, intellectual property rights, and company disputes. Two new BDC working groups, the Business Facilitation Working Group and the Agribusiness Working Group, were established. The Business Facilitation and Oil and Gas Working Groups also met during the year. Following the BDC meeting, the GOK took actions advocated by the U.S. on several issues, including revision of restrictive policies related to taxation, customs, and labeling requirements. Thanks in part to BDC encouragement, in the spring of 2000 the GOK dropped an oil export quota restricting American companies.

Dialogue with the Caucasus and Central Asia

Business environment issues figured prominently in inaugural meetings of the U.S.-Armenia and U.S.-Azerbaijan Joint Task Forces on Economic Cooperation held in May 2000 and again in September with Armenia. These and previous meetings with senior officials from Armenia, Azerbaijan and Georgia laid the ground work for the Caucasus Standards Dialogue, under which the Commerce Department's National Institute of Standards and Technology (NIST) and the SABIT Program supported a Georgian-hosted roundtable in early FY 2001 to promote adoption of international standards and regional harmonization of standards and certification procedures. In addition, several discussions were held with senior officials from Georgia, Turkmenistan, and Kyrgyzstan to identify and encourage implementation of steps to secure market access for American companies and promote the economic development of the region.

BUSINESS AND ECONOMIC DEVELOPMENT PROGRAMS

U.S. DEPARTMENT OF COMMERCE - BUSINESS INFORMATION SERVICE FOR THE NIS (BISNIS)

The Commerce Department's BISNIS Program seeks to facilitate U.S.-NIS trade and investment by providing U.S. companies with information and guidance on regional, sector-specific, and practical aspects of doing business with the NIS; exposing NIS businesses, organizations and officials to U.S. business community priorities and interests; promoting innovation in products and services; using technology to provide access to commercial information and resources; and maximizing the results of other U.S. Government and multilateral assistance efforts through active collaboration.

In FY 2000, BISNIS operated under difficult working conditions. At the beginning of the fiscal year, due to the continued fallout from Russia's August 1998 financial crisis, U.S. exports to the NIS were at less than 50 percent of pre-crisis levels, and U.S. private sector interest in the NIS had waned. In addition, BISNIS was temporarily without eight of its 18 NIS representatives and was operating at a reduced staffing level in the United States as well. Despite these challenges, however, BISNIS overcame these challenges by using technology and available resources in new ways to improve BISNIS' performance; testing new services and products, and introducing

existing services into new areas; focusing on key areas of interest to emerging U.S. companies; and fine-tuning and enhancing its existing services. Results achieved in FY 2000 include the following:

- BISNIS facilitated an increased number of export and investment activities.
- an increased number of businesses utilized BISNIS and other U.S. Government and NGO resources
- BISNIS directly served more than 30,000 members of the U.S. and NIS business communities via publications mailed monthly and reached more than 9,000 members of the U.S.-NIS business community daily via e-mail, providing timely market leads and reports.
- BISNIS provided U.S. companies with 409 *Trades & Tenders* leads and 336 *Search for Partners* leads.
- BISNIS provided U.S. companies with twenty-four-hour, seven-day-a-week access to the latest NIS market information via the approximately 14,000 documents available at BISNIS Online.
- BISNIS counseled thousands of U.S. companies via phone, e-mail, meetings, and at trade events.
- BISNIS organized several industry events outside the Washington, D.C. area, bringing over 150 NIS buyers directly into contact with over 1,000 potential U.S. suppliers of goods and services.

Examples of Specific Achievements and Developments

Leveraging Technology and Resources: In FY 2000, BISNIS introduced web-based registration of and access to *Search for Partners* leads. BISNIS established channels to network alumni of U.S. Government-funded training and exchange programs with BISNIS, BISNIS clients, and other U.S. Government programs and resources, resulting in new opportunities for U.S. firms. To complement the U.S. Government's resources, BISNIS began to enlist top experts on the NIS to share knowledge and expertise with the U.S.-NIS business community. BISNIS also vigorously promoted a full spectrum of U.S. Government programs and resources—especially the Commerce Department's SABIT and International Buyer Programs, USAID's EcoLinks Program—among BISNIS clients through the *BISNIS Bulletin*, e-mail, and at trade events.

Introduction of New Services, Expansion of Existing Services into New Areas: BISNIS launched a Russian-language web page (www.bisnis.doc.gov/nis), a new tool to familiarize the NIS business community with U.S. practices, resources, and opportunities, to reach new regions, and to broaden the reach and quality of BISNIS leads. In addition, BISNIS held the first U.S. catalog show in Moldova (a food and packaging exhibition in May 2000).

Focus on Key Client Interest Areas: In FY 2000, BISNIS focused its efforts on the following areas of key interest to its clients:

- E-Commerce (an area of dramatic growth)
- Credit card fraud (to help U.S. companies combat a spike in attempted fraud)
- Legal Infrastructure
- Opportunities in processing and manufacturing (reflecting a shift in NIS interests after Russia's 1998 financial crisis)
- Visas for business travel to the U.S. (BISNIS received many calls from frustrated U.S. companies whose attempts to bring business partners to the United States were thwarted at the visa stage)
- The Caucasus region (a special edition of the *BISNIS Bulletin* supported the U.S. Government's bilateral discussions with the Caucasus countries in FY 2000).
- Mortgage development (BISNIS briefed a large number of NIS delegations on this topic)

Impact and Results – U.S. Companies: BISNIS helped U.S. companies generate revenues and protected them against financial losses. For example, BISNIS helped seven companies save over \$250,000 in sales involving attempted credit card scams. BISNIS facilitated a greater number of transactions involving small to medium-sized enterprises (SMEs) in FY 2000 than in FY 1999 (77 in FY 2000, as compared to 40 in FY 1999). In addition, the dollar volume of individual transactions was generally lower, indicating that BISNIS widened the reach of its impact, particularly with respect to SMEs.

Impact and Results – U.S. Policy Interests: In addition to fostering familiarity with and openness to Western business practices, BISNIS contributed to positive policy changes in the NIS. For example, two weeks after visiting BISNIS, the chairman of the Russian State Committee on Construction sent 13 proposed laws and acts to the Russian Government for approval.

Performance Indicators: In FY 2000, BISNIS improved its performance, accountability, and client services, shortening the time it takes to process leads, standardizing and significantly expanding the information presented to U.S. companies, and strengthening its follow-up activities. The number of separate visitors per month to BISNIS Online grew six-fold in FY 2000, to nearly 28,000, and total use of BISNIS Online grew 82 percent (measured in total visitor-minutes). If BISNIS's performance is measured on the basis of its contribution to U.S.-NIS business transactions, BISNIS returned \$126 for each dollar of U.S. Government funding in FY 2000 (\$238.86 million in facilitated business transactions at a cost to the U.S. Government of \$1.9 million).

Preview of FY 2001 Activities: BISNIS hopes to increase the results achieved by U.S. companies through BISNIS leads, expand its clientele by 10 to 15 percent (including traditional and online clients), and broaden and strengthen the community of NIS individuals who are familiar with U.S. business practices and working with or supporting U.S. companies. BISNIS hopes to strengthen its ability to identify factors contributing to successful NIS business transactions for U.S. companies. In order to achieve these targets, BISNIS will do the following:

- Increase the number of top-quality leads that it identifies.
- Improve mechanisms for accessing and filtering BISNIS leads and strengthen the supporting information provided with leads.
- Leverage available technology to new BISNIS uses (multimedia, databases, etc.).
- Continue to innovate, improve, and expand *BISNIS Online*.
- Enhance the information available via the BISNIS Russian-language website.
- Bring promising regional leaders and businesses into direct contact with U.S. businesses and interests during visits to the U.S. using the proven model developed by BISNIS.
- Create stronger ties with the U.S. Government's NIS program alumni and networks.
- Tap and support key matchmaking events and opportunities in the United States and NIS (including International Buyer Program events).
- Pursue additional areas of business potential for U.S. companies, including technology commercialization and multilateral resources.
- Revise and republish the BISNIS guide to U.S. Government programs and resources.

U.S. DEPARTMENT OF COMMERCE - AMERICAN BUSINESS CENTER (ABC) PROGRAM

Over the past seven years, the Commerce Department established American Business Centers in the NIS to support a broad range of business development and facilitation services, including international telephone and fax services, short-term office space, seminar and exhibition space, assistance with arranging appointments, secretarial assistance, word-processing equipment, interpretation and translation, photocopying, market research, and counseling on local market conditions and business practices. The ABC Program sought to promote the rapid expansion of U.S. trade and investment in the NIS, with an emphasis on assisting small and medium-sized U.S. firms. Since the beginning of ABC Program in 1993, the ABCs have served almost 3,600 U.S. firms (including an additional 21 firms in FY 2000) and supported over \$398 million in reported U.S. exports.

As of the beginning of FY 1999, seven ABCs were being operated by private-sector entities through cooperative agreements with the Department of Commerce. These "solo" ABCs were located in Russian cities considered to have commercial potential, but with minimal or no U.S. and Foreign Commercial Service (US&FCS) presence: Chelyabinsk, Khabarovsk, Nizhniy Novgorod, Samara, Volgograd, Yekaterinburg and Yuzhno-Sakhalinsk. An additional five ABCs were operated by and co-located with USCS offices in St. Petersburg and Vladivostok, Russia; Kiev, Ukraine; Almaty, Kazakhstan; and Tashkent, Uzbekistan.

However, the ABC Program was phased out over the course of FY 1999 and FY 2000. The ABCs in Khabarovsk, Nizhniy Novgorod and Samara closed on September 30, 1999, and ABCs in other Russian cities had been closed earlier in FY 1999. As of September 30, 1999, all of the ABCs had been closed, with the exception of the ABC in Yuzhno-Sakhalinsk, Russia, which was closed on March 31, 2000. Meanwhile, the ABCs in Kazakhstan, Ukraine and Uzbekistan were merged with the US&FCS offices in those countries.

The decision to phase out the ABC Program, and to shift many ABC functions to existing US&FCS posts, was based primarily on the following reasons:

- Fewer new U.S. companies were entering the market, in part because of the August 1998 Russian financial crisis;
- U.S. businesses remaining in these markets had improved their capability to perform some of the tasks previously facilitated by the ABCs;
- Local companies offering similar business support services had emerged; and
- The US&FCS officers and posts had a greater capability to meet the needs of U.S. businesses seeking to enter NIS markets.

Achievements in FY 2000

- After the ongoing collection efforts to recover over \$236,000 in misused funds from a former U.S. client of the Minsk ABC, the Debt Work-Out Group sent a proposal to the Office of Inspector General to write-off the debt;
- The Yuzhno-Sakhalinsk ABC generated almost \$106,000 in revenue;

In addition, the ABC Program:

- Helped the Russian firms Sinegorje Coal Mine, Ltd., Teploviye Seti, Kompile and Terra-Torf find U.S. business partners;
- Helped clients of USAID's EcoLinks Program find partners, use communication services and receive SABIT ecological training information;
- Organized outreach seminars for a Junior Achievement class on applied economics;
- Assisted 15 U.S. organizations and several seminar participants with visa requirements;
- Introduced Alaska Airgas to Daltekhgaz, helping Airgas to position itself to supply Sakhalin oil and gas projects with industrial gas products; and
- Found a U.S. business partner (Katzen International) for a local Russian firm under the EcoLinks grant program, and is seeking U.S. partners for local firms in the following industries: beverage production, fish vessel leasing, fish processing, on-shore oil development and food distribution.

U.S. DEPARTMENT OF COMMERCE - COMMERCIAL LAW DEVELOPMENT PROGRAM

Throughout FY 2000, the Commerce Department's Commercial Law Development Program (CLDP) provided technical assistance to the Governments of Russia, Ukraine and Moldova to support each country's accession to the World Trade Organization (WTO) and improve the legal climate for conducting business. As a result of the steps each country is taking to adopt and implement the wide-ranging reforms required for WTO accession, Russia, Ukraine and Moldova are making their economies more transparent and are providing new commercial opportunities to both domestic and foreign entrepreneurs. Russia and Ukraine are currently in the process of supplying information and negotiating the terms of their accession with the WTO Secretariat and the working groups handling the accession process for each country. Moldova has made substantial progress in its efforts to accede to the WTO and hopes to attain membership in the near term. CLDP provides technical assistance to support the development of skills needed to implement reforms as they are adopted. Brief descriptions of CLDP's activities in each country during FY 2000 are provided below:

Russia: Through March 2000, CLDP continued to facilitate Russia's WTO accession process by providing the Government of Russia with a resident trade expert. Technical assistance activities included a program to facilitate discourse on Russia's accession to the WTO between the Duma and Russian officials. CLDP conducted training in conjunction with the International Trade Commission involving officials from four ministries, the State Duma and a variety of institutes that focused on the assessment of the quantitative effects of trade. CLDP also initiated the construction of a WTO web site that will contain informational materials in the Russian language, calendars of events, and proceedings from conferences and seminars. Finally, CLDP continued its program on WTO requirements relating to agricultural issues by conducting a seminar with the US Department of Agriculture on the risk assessment of animal products. CLDP-sponsored programs in quantitative trade assessment and agriculture have reached more than 100 Russian Government officials in more than a half dozen ministries.

Ukraine: Through June 2000, CLDP maintained a presence in Ukraine through the assistance of its resident trade expert. He shared his expertise with his colleagues in the Ministry of Economy and helped to raise awareness of the importance of WTO accession among senior and mid-level Ukrainian Government officials. CLDP also sponsored the publication of a newsletter in order to familiarize government officials with the WTO process and to emphasize the importance of WTO-compliant legislation. The resident trade expert departed in June 2000 and a new resident trade expert has been assigned to work with the Government of Ukraine. CLDP also funded the translation of documents needed for Ukraine's Working Party meetings, assisted in the translation of key legislation, and sponsored a Ukrainian delegation in connection with consultations in the U.S.

Moldova: In FY 2000, CLDP continued its efforts to help Moldova accede to the WTO by placing a resident trade expert in Moldova to work closely with the Ministry of Economy and Reforms. CLDP's resident trade expert provided assistance that was instrumental in helping Moldova meet its WTO requirements in the areas of intellectual property and agriculture. CLDP also sponsored a WTO expert who analyzed the organizational structure of Moldova's WTO office and made recommendations to the Government of Moldova. CLDP provided advice and assistance to help Moldova implement its WTO obligations through the drafting, implementation, and enforcement of WTO-consistent laws and regulations. CLDP also conducted a short-term training program on customs valuation for Moldovan officials and assisted in the publication of a newsletter that informed Government officials as well as the private sector of the benefits of WTO membership. CLDP sponsored programs, including the assistance of the resident trade expert, helped Moldova conclude most requirements necessary for WTO accession. Moldova hopes to attain membership in the WTO in the near term.

U.S. SECURITIES AND EXCHANGE COMMISSION (SEC)

The principal objective of the SEC's technical assistance program for the NIS countries is to assist securities regulatory authorities and self-regulatory organizations in these countries with the development of transparent, well-regulated securities markets in which both domestic and foreign investors will have confidence. There are many rule of law and other infrastructure issues, as well as macroeconomic conditions, beyond the control of the SEC and its NIS counterparts, which affect the realization of these objectives. Nevertheless, the SEC believes that its program objectives are being substantially achieved, specifically by providing U.S.-based and overseas training for senior personnel of NIS regulatory and self-regulatory organizations, and by providing specific technical assistance with respect to laws and regulations when requested to do so.

During FY 2000, with funding from USAID, the SEC provided training for 45 participants from eight NIS countries, bringing the cumulative totals of participants trained since the inception of the NIS program in 1994 to more than 650 from all 12 NIS countries. In FY 2001, the SEC will provide \$200,000 in technical assistance to the NIS countries. An overview of the SEC's programs is provided below:

U.S.-Based Training Programs

SEC International Institute On Enforcement and Market Oversight: The SEC offers this one-week program annually at its headquarters for securities regulators from developed and the more advanced developing markets. The FY 2000 program was held during November 1999 at the SEC's Washington headquarters and included three Russian representatives.

International Institute for Securities Market Development: In April 2000, the SEC presented its 2000 International Institute for Securities Market Development at its Washington headquarters. The SEC funded the costs of Russian translation and travel expenses of nine delegates from six NIS countries.

NIS/CEE Enforcement and Market Oversight Training Program: In June 2000, the SEC offered its annual NIS/CEE Enforcement and Market Oversight Training Program at its Washington headquarters. The SEC funded the costs of delivering the program, including Russian translation costs and travel expenses of 15 delegates from seven NIS countries.

NIS/CEE Review of Issuer Disclosure Documents Training Program: In July 2000, the SEC offered its annual NIS/CEE Review of Issuer Disclosure Documents Training Program at its Washington headquarters. The SEC funded the costs of delivering the program, including Russian translation costs and travel expenses of 18 delegates from seven NIS countries.

NIS-Based Training Programs

Armenia: In December 1999, in collaboration with PriceWaterhouseCoopers (USAID's contractor for capital-markets activities in Armenia), senior representatives of the SEC's Office of International Affairs and the Division of Corporation Finance conducted a regional capital-markets training program in Yerevan, Armenia, which was attended by 51 securities regulatory, self-regulatory and private-sector participants from Armenia, Bulgaria, Georgia and Moldova (over forty of the participants were from the NIS countries).

Georgia: In September 2000, at the request of USAID and the National Securities Commission of Georgia (NSCG), a senior representative of the SEC's Office of International Affairs and two U.S. Treasury Department technical advisors met in Tbilisi with representatives of the NSCG to review its enforcement powers under the Law on the Securities Market, including draft materials that the NSCG had prepared to implement these enforcement powers, with a particular emphasis on the use of administrative proceedings to bring enforcement sanctions against issuers who fail to designate an independent share registrar or fail to file periodic reports, as required by law. A copy of their report and recommendations was provided the NSCG and USAID.

Russia: In March 2000, a senior representative of the Office of International Affairs and a Financial Services Volunteer Corps (FSVC) volunteer conducted a four-day risk management review of the National Depository Center in Moscow. During this mission, the SEC representative also conducted a one-day seminar for the staff of the Russian Federal Commission on the Securities Market on the regulation of centralized clearance and settlement systems.

U.S. DEPARTMENT OF THE TREASURY - TECHNICAL ASSISTANCE

Armenia

Budget Policy and Management: Treasury Department resident budget team advisors helped implement a results-oriented program budgeting system and introduce a multi-year time frame for budget and program planning. They assisted Ministry of Finance-appointed task forces in studying ways to carry out budget and financial management with line-agency responsibility for program management. Working with short-term and regional advisors, they also helped organize training programs to support budget and financial management in the line agencies. Treasury Department advisors assisted the Budget Department and the Treasury in preparing *Budget Handbook* guidelines, procedures and instructions governing the execution of the annual budget. A new budget team advisor was posted to Yerevan in August 2000. This advisor plans to prepare a budget preparation database, establish financing sources in the budget preparation process, revise the FY 2002 budget instructions and conduct budget staff training during the first half of 2001.

Government Debt Issuance and Management: The resident government debt advisor assisted the government in achieving a solid record of positive coverage in the primary market and a pattern of interest rates that responds to the country's underlying economic fundamentals. In the context of the damage done to all FSU primary markets by the Russian default in 1998, this recovery is testimony to the sound foundation created with the Treasury Department's technical assistance effort that began in 1995. The "Treasury Direct" program, developed by the advisor, in which the public is able to purchase treasury bills directly from the government, showed great promise: it provides a secure investment for individuals; expanding the investor base for the issuer; and provides price competition for the dealers, which will moderate re-offer and bid-asked spreads in the secondary market.

Tax Policy and Administration: The resident tax administration advisor concluded his service in Yerevan in June 2000. Intermittent advisors, whose primary focus have been indirect methods of tax assessment and work on human resource issues, have concluded that expanded assistance in these areas of tax administration would be desirable. A response in this area is pending based on receipt of a formal request for assistance by the State Tax Inspectorate (STI).

Enforcement Policy and Administration: The Enforcement Team has provided assistance to Department 6 (Main Department Against Organized Crime), the Office of the Prosecutor General (OPG), and the Central Bank since 1998. In FY 2000, The Enforcement team provided technical assistance in the areas of financial crimes,

organized crime, gaming crimes, and insurance fraud. The team provided assistance with regard to the investigation and prosecution of tax offenses, computer fraud and related crimes, corruption, customs offenses, counterfeiting and credit card fraud. The team also provided assistance in establishing liaison between Armenian law enforcement and the international law enforcement community in general, and specifically with the Los Angeles FBI and the Glendale (California) Police Department (GPD), the center of the Armenian-American community. Concrete and measurable progress has been achieved on all goals, including the creation of a Financial Crimes Working Group with participation from appropriate members of Government, the Central Bank, and the private sector. The creation of this group was particularly significant, as such representatives would not meet in the same room when the team began its work in Armenia. The Enforcement Team also facilitated the establishment of a cooperative working relationship between Armenian and US law enforcement authorities. To assist in establishing an effective liaison, it arranged for the Armenian Prosecutor General and two assistants, as well as the Chief of Directorate Six (the national police agency addressing Economic Crimes, Organized Crime, and Corruption) and two other police officials to travel with the Enforcement Team to meet with appropriate US officials in Washington, DC and with FBI Agents and GPD officers in the Los Angeles area. Finally, the team facilitated the assessment of a program to develop a centralized computer system for the Office of the Prosecutor General and Directorate Six.

Georgia

Budget Policy and Management: The Treasury Department's current resident Budget Team advisor has made substantive contributions to the Georgia-U.S. "Four Point Program." The four points are: (1) Anti-corruption, (2) Revenue Enhancement, (3) Civil Service/Administrative Reform, and (4) Budget and Expenditure Control. The advisor was instrumental in preparing a series of reports that present the work and recommendations of the Budget Expenditure and Control Workgroup. The advisor also assisted the Ministry of Finance in drafting a budget system law to replace Georgia's current ineffective statute. This law will be introduced to Parliament after the approval of the 2001 Annual State Budget.

Government Debt Issuance and Management: The resident advisor was withdrawn in September 1998 in the wake of the Russian default and the knock-on effects in Georgia. This period saw the cessation of new government debt issues and redemption or purchase of all outstanding government debt by the central bank. Georgia requested resumption of technical assistance in 2000 as it sought to reestablishes a primary market for the issuance of government securities. The Treasury Department has supported this effort to a limited extent with short-term technical assistance provided by its resident advisor from neighboring Armenia. Auctions have resumed, but a long agenda remains before this market can be properly developed. Plans are in motion to place a resident advisor in Tbilisi in early 2001. Terms of reference for this mission and identification of counterparts took place through a short-term technical assistance mission in December.

Enforcement Policy and Administration: To date, the Enforcement team has completed a report on the enforcement authorities of the National Securities Exchange of Georgia (NSCG), in cooperation with USAID, the US Department of Justice, and the US Securities and Exchange Commission. Working cooperatively with the US Justice Department, it has assessed the adequacy of the Law of Georgia on Conflict of Interest and Corruption, and the practical application of its reporting regime. It has recommended how best to utilize the Chamber of Control to remedy corruption in the Georgian expenditure process. In cooperation with the IET Tax Team, it is helping to re-organize the Financial Police.

Tax Policy and Administration: Two resident tax advisors were installed this fiscal year as Georgia combined its state tax service with its customs service to create a Ministry of Revenues and Customs. The Treasury Department's advisor is working as a special advisor to the new Minister, focusing on assisting him with the merger of the two organizations. The advisor is also rendering assistance in the modernization of Georgia's system of tax administration. The second advisor is assisting the Ministry of Revenues and Customs with examination and evaluation of Ministry employees, headquarters reorganization efforts, and the implementation of anti-corruption initiatives.

Kyrgyzstan

Government Debt Issuance and Management: A Treasury Department resident government advisor was assigned to the Ministry of Finance between 1996 and 1999. He assisted the country to solidify its government securities market by developing additional types of domestic securities and increasing secondary market trading

activity. He helped implement an electronic screen-based securities trading system, and he helped to develop a public debt law and other relevant legislation with the assistance of short-term advisors. The effects of the Russian crisis hit the Kyrgyz Republic particularly hard. Since then, the Ministry of Finance has placed an emphasis on external debt management. Short-term advisors Treasury Department advisors have assisted the Kyrgyz in implementing a basic debt tracking system.

Treasury Department assistance over the last fiscal year has focused on helping the Kyrgyz keep their debt tracing system operational. The government has experienced an employee turnover problem, and Treasury Department advisors have conducted several missions to train new staff in system operations. The Treasury Department has received a request from the Kyrgyz Ministry of Finance to supply an advisor who could provide macroeconomic policy advice to the Minister. The Treasury Department sent a mission to Bishkek to assess the viability of such a placement. However, the assessment mission concluded that, while needed, such an advisor was unlikely to be well-utilized. Meanwhile, we remain in communication with the World Bank advisor in Bishkek on this subject. The World Bank advisor is scheduled to leave the country during the summer, and this may represent a good juncture to revisit the situation.

Moldova

Enforcement Policy and Administration: The Enforcement team helped draft the economic and financial crime section of the criminal procedure code currently under consideration in Parliament. The team also helped draft the proposed anti-money laundering law. The team helped the Finance Ministry organize a tax evasion enforcement unit and a bank fraud working group. The team also provided specialized forensic training and assistance in combating credit card and document fraud, and developing the capabilities of the government's forensic laboratories.

Government Debt Issuance and Management: The resident debt advisor at the Ministry of Finance, completed his assignment in April 1999. In the later part of the fiscal year, Moldovan officials made several requests for a resumption of Treasury Department technical assistance in this area. Based on discussions with the FSA Coordinator's Office, funding was put in place to finance the placement of a Government Debt Team advisor in the first half of the new fiscal year. An assessment mission to write the terms of reference for this assignment is currently scheduled for January 2001.

Russia

Tax Administration and Tax Policy: The program of assistance in tax administration continues to be a priority. At the present time, the Treasury Department has two resident Tax Team advisors, supported by a large-scale program of visits by short-term advisors, working with counterparts in the Russian Ministry of Taxation. This work program is being accomplished pursuant to a draft strategic business plan developed by the Ministry with the assistance of the Treasury Department advisors. In coordination with the IMF and the World Bank, Treasury Department advisors are working to analyze and map out current tax administrative processes from a sample of oblast, regional, and city tax administration offices. The existing work processes will be analyzed and diagramed. Based on this input, work process improvements will be identified and proposals will be put forward to reengineer the system with the goal of streamlining processes and promoting sound tax administration practices. Once this work is completed, the Ministry of Taxation will be in a position to qualify for a large World Bank loan to finance the information technology component of the modernization plan.

Initially, this work program was accomplished through a resident advisor with a substantial amount of support from functional specialists performing short-term missions. During FY 2000, a second resident advisor was added with information technology expertise. This advisor is focusing on how data moves through the existing system and ways modern information technology can be used to improve tax administration practices. In addition to the two resident advisors, the project continues to utilize a great deal of input from teams of short-term advisors.

Financial Institutions: A new resident advisor was placed directly with the Agency for Restructuring Credit Organizations (ARCO) at the time of its establishment in spring 1999. This resident advisor has provided continuous support to ARCO in fulfilling its mandate of managing and pursuing resolution of problem banks placed under its administration. (At this time, 21 banks from across Russia have been assigned to ARCO by the Central Bank). The advisor has also facilitated short-term technical assistance on deposit insurance, asset

management methodologies and technology, and auditing. In addition, starting in December 2000, Treasury Department Financial Crimes Law Enforcement Team members began working with ARCO to train forensic accountants who would be used to collect evidence of financial crimes in the bankrupt financial institutions assigned to ARCO.

Budget Policy and Administration: The Budget team's on-going program with the Russian Chamber of Accounts (COA) has continued to strengthen the COA's ability to provide the Duma with independent information on Russian government budget proposals and on budget execution. An exchange in September 2000 focusing on an overview of executive and legislative budget procedures in the US brought high level COA officials to Washington. In April, a mission to Moscow which focused on state/federal audit and accounting interaction was conducted by representatives of the General Accounting Office (GAO) and the Federal Accounting Standards Advisory Board (FASAB).

In August, a resident advisor was posted to Moscow to work with Ms. Tatiana Nesterenko, the new head of the Russian Treasury. Previously, intermittent missions focused on the development of a comprehensive reform agenda, familiarizing Russian staff with international treasury practices and refining information flows and mechanisms. The resident advisor will focus broadly on the development and implementation of a nation-wide treasury system. A more narrow focus will be on development of a system of internal control over targeted budget funds, the management of public debt, and the establishment of a system of governmental accounting and extra-budgetary funds reporting.

A Russian economist who was employed by an earlier Budget Policy and Management Resident Advisor continued to work under Treasury Department auspices. She developed an analysis of the economic arrears of the Russian economy. She negotiated an agreement to advise Vladimir Mau, Head of the Working Center for Economic Reforms, who has been serving as an advisor to President Putin. Her recent work includes projecting the impact of higher oil prices and studying inflation and its effect on the exchange rate. Unfortunately, she has now recently taken employment in the private sector, and no successor advisor will replace her.

Ukraine

Budget Policy and Management: The Treasury Department's resident Budget Team advisor assisted the Ministry of Economy (MinEcon) staff with drafting the *Economic Forecast through 2004* and provided comments, recommendations and contributions to the structure, content and analysis during the forecast period. The advisor also provided assistance with the MinEcon document *Forecast of Economic and Social Development for 2001*. This document provides, among other things, the forecast of the main macroeconomic indicators that are used in forming the budget for 2001. The advisor worked with USAID to develop and organize the "Building Capacity and Consensus for Reforms" Project, a multi-donor project aimed at promoting the economic reform agenda through research on key economic topics and building consensus for reforms through implementing a television and radio educational program. The advisor successfully incorporated an AID-funded macroeconomic forecasting and modeling project into the MinEcon. This project will train the staff of the MinEcon on how to forecast, use and maintain a short-term and medium-term macroeconomic model that is being developed for the Ukrainian economy.

A second Budget Team advisor, who is assigned to the Ministry of Finance (MOF) developed a draft program and activity structure for each of the 86 key spending units in the Government of Ukraine. This structure is the key to initiating program budgeting, which is scheduled to be implemented as part of the 2002 budget process. In addition, the advisor prepared a series of analytical issues and supporting tables on the Ministry of Health's 2001 budget submission for health professions education. This was designed to illuminate the types of analyses and questions that can be undertaken in the examination of a particular budget, even without the implementation of program budgeting.

Financial Institutions: Previously, the Treasury Department had a Financial Institutions Team (FIT) resident advisor assigned to advise Vice Premier Tyhypko on a number of important banking issues, including strategy options for dealing with troubled banks and alternative approaches to unpaid government-guaranteed and government-directed loans. He also worked closely with the management of the state savings bank to improve policies and procedures for the collection of loans. This advisor's assignment ended, followed by a brief period of time in which the Financial Institutions Team was not engaged in Ukraine. However, during the final quarter of FY 2000, FIT completed negotiations to place a Resident Advisor with the National Bank of Ukraine as part of

a multi-donor assistance effort to provide technical assistance in problem bank resolutions. Assigned to the problem bank unit of the National Bank of Ukraine, the advisor will be providing immediate assistance with the resolution of Bank Ukraina, a large agricultural bank that has encountered severe operational difficulties.

Government Debt Issuance and Management: Ukraine was particularly hard hit by the effects of the Russian default in 1998. With the collapse of investor demand, virtually all government securities were repurchased by the National Bank of Ukraine. The resulting liquidity crunch raised the specter of a Russia-like default on external obligations. The resident advisor strongly counseled the Ukrainians to avoid outright default and, instead, renegotiate their obligations in a transparent and business-like manner. With a high level of input and advice from a Treasury Department advisor, Ukraine renegotiated all debt obligations in 2000 without a default. This performance, if continued, should benefit Ukraine with improved access to external capital. Despite his focus on the external debt situation, the Department's resident advisor also made progress in efforts to normalize the legal framework for sovereign debt and provided significant input into the reorganization of the debt management operation within the Ministry of Finance.

Tax Policy and Administration: The resident tax administration advisor has written a collection manual and is provided continuing assistance in the training of managers in the collections area and tax police. In addition, a collaborate effort between the Treasury Department's Tax and Financial Crimes Law Enforcement Teams provided the Ukrainians with a program of regulation and taxation of casinos and the gaming industry. The advisor's work in taxpayer service and collections will be continuing into FY 2001.

The resident tax policy manager works with the Verkhovna Rada on tax policy reforms. He is currently working on a paper for the Finance and Banking Committee, which discusses the most important issues to be considered in designing a personal income tax. He is continuing to work with the tax policy unit in the Ministry of Finance at improving the draft tax code approved by the Rada in July 2000. The advisor also served as an instructor at the IMF tax seminar conducted in December 2000.

USAID FARMER TO FARMER (FTF) PROGRAM

USAID's congressionally mandated Farmer to Farmer Program is funded through the Farm Bill, with P.L. 480 funds transferred to USAID for program implementation. The NIS component of the Program (NIS-FTF) is operational in all 12 NIS countries. NIS-FTF provides short-term agricultural technical assistance through U.S. volunteers to facilitate the NIS countries' transition to a free-market economy. NIS-FTF maintains a dual focus, including agri-business as well as agricultural production. The emphasis on agri-business includes: agribusiness development, agricultural credit, agricultural processing, marketing, development of associations and cooperatives, and agricultural/business training. Since its inception, NIS-FTF has organized more than 4,300 individual volunteer assignments in all 12 NIS countries. New FTF grants were initiated in FY 2000 and began to show results. The current phase of the NIS-FTF program began in October 1999 and will continue through September 2003. The total number of volunteer assignments scheduled for this phase of the project is approximately 1,900. In FY 2000, a total of 427 volunteer assignments were completed in 12 NIS countries. A breakdown by country is provided below:

| COUNTRY | FY 2000 | Project Targets |
|--------------|------------|-----------------|
| Armenia | 24 | 118 |
| Azerbaijan | 109 | 26 |
| Belarus | 40 | 2 |
| Georgia | 112 | 26 |
| Kazakhstan | 35 | 133 |
| Kyrgyzstan | 34 | 132 |
| Moldova | 17 | 140 |
| Russia | 150 | 592 |
| Tajikistan | 90 | 16 |
| Turkmenistan | 96 | 16 |
| Ukraine | 36 | 215 |
| Uzbekistan | 114 | 45 |
| TOTAL | 427 | 1,891 |

NIS-FTF Program expended approximately \$7.3 million in FY 2000. NIS-FTF's U.S. grantee organizations have continued to focus on the development of longer-term relationships with host organizations. This is being accomplished through more comprehensive volunteer assignments and more attention to the longer-term goals of the host organizations. NIS-FTF maintains long-term relationships with more than 1,200 private agribusinesses and agricultural organizations. Since the program began in 1991, more than 40,000 people in the NIS have received training directly from FTF volunteers. The value of NIS-FTF volunteers' professional time is estimated at \$12.0 million annually. In addition, FTF grantees, volunteers and cooperating organizations leverage additional resources and materials valued at approximately \$2.0 million annually to support their program activities.

NIS-FTF assistance continues to have a multi-level focus, both on the agricultural sector and at the grassroots level. One such example is a country program that channels a number of volunteer assignments through a regional economic development center, emphasizing private sector agricultural and rural growth. Volunteer assignments have included assistance in grain and legume seed development, improvements in the processing and canning industries, and technical assistance to small producers who are attempting to move out and away from the collective farm system.

Because access to agricultural credit is a continuing problem in the NIS, NIS-FTF works with several rural credit programs in the NIS countries. Where other donors have funded credit programs but have not provided technical assistance in organization and administration, NIS-FTF has provided volunteer technical assistance to fill this gap in the learning process. In Kazakhstan, for example, rural agricultural credit groups, with volunteer assistance, are finding unique and innovative ways to provide credit in the absence of sufficient commercially recognized collateral, through innovative methods of evaluating collateral, the formation of interdependent borrower groups, and graduated scales for interest rates and loan amounts.

NIS-FTF has increasingly worked with groups who are involved in rural programs assisting women entrepreneurs and women farm-owners/managers. These groups are very dynamic, even though slowed in their progress by lack of seed capital and managerial and technical skills. NIS-FTF volunteers have been instrumental in providing training and advice in farm and office management and accounting skills, technical and handicraft skills for rural women interested in secondary income earning opportunities, and skills in dealing with the social needs of rural women. These groups are very responsive to the volunteers' efforts and seem to be very capable of raising funds and awareness to ensure their own future viability and sustainability.

NIS-FTF continues to encourage returned NIS-FTF volunteers to participate in public outreach activities in their home locales. Volunteers also participate in debriefings at their grantee organizations' offices in Washington, where they also have an opportunity to visit with congressional members.

In FY 2001, NIS-FTF's U.S. grantee organizations will continue to focus on private sector agricultural activities, including small agricultural related businesses, cooperative and association development and small scale credit and rural financial systems. Food processing and the links to consumers in the agricultural marketing chain will also be important objectives for NIS-FTF volunteer assignments. NIS-FTF grantee organizations will collaborate with other USAID grantees, Peace Corps volunteers, and host-country organizations. Public outreach events planned for FY 2001 include NIS-FTF volunteer presentations in conjunction with the World Dairy Conference in Wisconsin, a meeting of the Wisconsin Bankers' Association focusing on international volunteer opportunities, the Annual Conference of Iowa Extension Agents, National Volunteer Week in April 2001, and the United Nations Year of the Volunteer. NIS-FTF volunteers will also speak at various farmer cooperative and association meetings and business support organizations.

U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL AVIATION ADMINISTRATION (FAA)

Russia

Development and Operation of Air Traffic Routes: During FY 2000, FAA representatives participated in several bilateral and multilateral forums aimed at the development and efficient operation of air traffic routes over Russia. These forums include the Russian-American Coordinating Group for Air Traffic Control (RACGAT) and the International Civil Aviation Organization (ICAO) Informal Trans-Asia/Trans-Siberia/Cross-Polar Routes

High Level Steering Group. In addition, in order to support the shorter, more fuel efficient air traffic routes that have been developed over the Russian Far East, the FAA has continued efforts to install and operate reliable voice communications between air traffic control centers in Anchorage, Alaska and the Russian Far East. The FAA also participated in joint industry/government project to evaluate the suitability of airports in the Russian Far East to serve as emergency airfields for long-range aircraft flying on Russian Far East and Cross-Polar routes. All of these activities will continue into FY 2001.

U.S.-Russian Air Safety Working Group: During FY 2000, the FAA continued joint cooperation with Russia in the area of air safety through the U.S.-Russian Air Safety Working Group. One of the main focuses of this group has been to close out the recommendations that were made in the 1994 Joint U.S.-Russian Russian Civil Aviation System Safety Evaluation. The work of this group will continue into FY 2001 with more routine meetings and possible seminars.

U.S.-Russian Working Group on Aircraft Accident Investigation: During FY 2000, the FAA continued joint cooperation with Russia in the area of accident investigation through the meetings and work of the U.S.-Russian Working Group on Aircraft Accident Investigation. The work of this group will continue into FY 2001.

Cooperative Research on Titanium Use in Aircraft Engines: In FY 2000, a cooperative work continued on a program in which American and Russian experts will develop an international database on titanium use in turbine engines. This cooperative program will continue into FY 2001.

Other Programs: Other projects by FAA in FY 2000 included attendance in various seminars and meetings, translation of technical documents into Russian, loans of computer equipment, and representational visits by the FAA Senior Representative for Russia and the CIS.

Other NIS

The FAA's FY 2000 cooperative activities with the NIS countries included representational visits by the FAA Senior Representative for Russia and the NIS to several NIS countries, visits to the U.S. by several foreign delegations, and preparatory work for an air safety study to be conducted for the Governments of Kazakhstan and Georgia.

U.S. DEPARTMENT OF TRANSPORTATION - FEDERAL HIGHWAY ADMINISTRATION (FHWA)

Russia

Sister State Programs: In FY 2000, the FHWA's Russia program focused on encouraging sister-state relationships between road agencies in Russian *oblasts* (regions) and U.S. states, with the goal of facilitating technology transfer and institutional reform. In FY 1999, four U.S. states were involved in these programs: Maryland and the Leningrad Oblast, Kentucky and the Perm Oblast, Maine and the Arkhangelsk Oblast, and Pennsylvania and the Nizhniy Novgorod Oblast. In FY 2000, North Carolina began sister-state activities with the Krasnodar Krai, and Minnesota did so with the Kemerovo and Tomsk Oblasts. This cooperation involves joint seminars, internships, and reciprocal study tours. The program been successful due to the support of state and *oblast* governments and the focus on the transfer and implementation of defined management principles and technological applications. All activities are co-financed by the Russian partners.

Institution-Building Activities: In FY 2000, the FHWA continued to work with the Russian Association of Regional Highway Administrations (RADOR), which is modeled on the American Association of State Highway and Transportation Officials (AASHTO), by facilitating AASHTO-RADOR dialogue and RADOR participation in technology transfer seminars and training programs at state departments of transportation. The FHWA will continue to expand RADOR's knowledge base in FY 2001.

Legislative Reform Activities: In FY 2000, the FHWA hosted a delegation of State Duma deputies (members of Russia's lower house of parliament) who were interested in the U.S. legislative process and the Dedicated Highway Trust Fund. Meetings were arranged with FHWA, AASHTO, Congressmen, Senators, and their staffs. Given recent changes in the financing of highways in Russia, another Duma delegation will be hosted in FY 2001.

Russian Federal-Level Reform: In FY 2000, the FHWA's Russian counterpart, the Russian Highway Agency was reorganized and placed under the Ministry of Transport. In FY 2001, the FHWA will work with the Russian Highway Agency on areas of interest, such as road finance, information management systems, right-of-way issues, and cost-estimating.

SECURITY PROGRAMS

U.S. DEPARTMENT OF DEFENSE (DoD) - COOPERATIVE THREAT REDUCTION (CTR) PROGRAM

DoD's Cooperative Threat Reduction (CTR), or "Nunn-Lugar," program was initiated in FY 1992 to reduce the threat posed to the United States by the weapons of mass destruction (WMD) remaining on the territory of the former Soviet Union, by promoting denuclearization, demilitarization, and the prevention of weapons proliferation. Under the CTR program, DoD provides assistance to states certified as eligible to receive such assistance. In FY 2000, the President of the United States certified Russia, Ukraine, Kazakhstan, Georgia, Uzbekistan and Moldova to receive CTR assistance. Through the CTR program, the U.S. Government helped Belarus, Kazakhstan and Ukraine become nuclear-weapons-free states, and has been helping these countries fulfill other arms control commitments, as well as accelerating START reductions in Russia. CTR projects support the safe, secure transport of nuclear weapons prior to their destruction, and the safeguarding and storage of nuclear materials. CTR efforts also seek to help Russia initiate and accelerate the destruction of chemical weapons. Pursuant to legislative requirements, the CTR program provides separate, detailed semi-annual reports to the U.S. Congress.

U.S. Government CTR assistance has supported or encouraged the following major developments over the life of the CTR Program:

- decisions by Belarus, Ukraine and Kazakhstan to become non-nuclear-weapons states and the implementation of those decisions;
- withdrawal of over 3,300 strategic warheads from Ukraine, Kazakhstan and Belarus to Russia for eventual dismantlement;
- early deactivation of all SS-24 ICBMs and elimination of 144 SS-19 missile and launch-control silos and 111 SS-19 ICBMs in Ukraine;
- elimination in Ukraine of 18 heavy bombers and destruction of 157 long-range nuclear ALCMS;
- purchase and transfer to secure storage of nearly 600 kilograms of weapons-usable uranium from Kazakhstan and additional fissile material from Georgia;
- purchase of 21 nuclear-capable MiG-29 airplanes, 500 air-to-air missiles, and associated equipment from Moldova;
- removal of 104 SS-18 ICBMs from their launchers in Kazakhstan and their return to Russia;
- elimination of 147 SS-18 silo launchers in Kazakhstan;
- safe and secure withdrawal of all 81 of Belarus' SS-25 mobile ICBMs and launchers to Russia;
- elimination in Russia of 256 SLBM launchers, 52 ICBM silos, 42 strategic bombers, and destruction of 293 ICBMs, 17 SSBNs, using CTR provided equipment;
- sealing of 181 former nuclear test tunnels and 13 boreholes in Kazakhstan
- completion of START Treaty government-to-government communication links;

- support for nearly 15,000 former Soviet weapons scientists and engineers by the International Science and Technology Center (ISTC) in Moscow and the Science and Technology Center in Ukraine (STCU) in peaceful research projects (in FY 1996, funding for these activities was shifted to the Department of State);
- establishment of the Civilian Research and Development Foundation (CRDF), which awarded its first grants in 1996 to help civilian scientists and engineers pursue peaceful research opportunities and help preserve the scientific infrastructure of the NIS countries (in FY 1997, funding for these activities was shifted to the Department of State);
- enhancement of NIS export control capabilities (in FY 1996, funding for these activities was shifted to the Department of State); and
- enhanced nuclear material protection, control and accounting (MPC&A) capabilities initiated at over 40 nuclear institutes and facilities in the NIS (in FY 1995, funding responsibility for these activities were transferred to the Department of Energy).

Weapons Destruction and Dismantlement: Under this largest single category of CTR assistance, the U.S. Government is helping destroy delivery vehicles for strategic nuclear weapons and key weapons-system components. CTR assistance also is being used to assist in the elimination of chemical weapons. Key projects include the following:

- **Strategic Offensive Arms Elimination (SOAE):** The U.S. Government is providing Russia equipment, training, services and logistic support to assist in expediting the elimination of strategic offensive arms pursuant to the START Treaties. This includes assistance with liquid rocket fuel disposition, SLBM launcher and associated submarine elimination, solid rocket motor elimination, SS-18 and heavy bomber dismantlement, and other projects. This also includes provision of equipment for emergency support in case of an accident involving the transport or elimination of missiles. In Ukraine, the U.S. Government provided assistance to complete the deactivation of SS-19 missiles and dismantlement of their silos. The CTR Program is currently assisting Ukraine with similar deactivation and dismantlement activities for its SS-24 systems. DoD is also assisting in the dismantlement of 93 START-accountable heavy bombers. In Kazakhstan, the U.S. Government provided support to eliminate SS-18 launch and launch-control silos and to close nuclear weapons test tunnels at the Degelen Mountain complex.
- **Chemical Weapons Destruction:** The U.S. is helping Russia destroy its CW stockpile and associated infrastructure. Efforts have focused on design of a CW destruction facility at Shchuchye that the U.S. Government plans to help construct. A Central Analytical Laboratory (CAL) that will enhance Russia's ability to conduct chemical-agent monitoring at CW storage and destruction sites was opened in April 2000. The U.S. Government procured and delivered three mobile analytical laboratories to support Russian CW destruction projects. U.S. Government-funded efforts also continue to eliminate CW infrastructure at the KhimProm Volgograd and Novcheboksarsk chemical complexes. The CTR Program is also helping to dismantle a chemical weapons facility in Nukus, Uzbekistan.

"Chain of Custody" Projects: CTR "Chain of Custody" projects help prevent the proliferation of nuclear materials, increase the security of nuclear warheads while in transit or in storage, and ensure that fissile materials from dismantled warheads are stored in safe, centralized and environmentally sound locations. Key projects include the following:

- **Fissile Material Storage Facility at Mayak:** Construction continues on a facility for the storage of fissile material derived from dismantled Russian weapons at Mayak in the Southern Urals. DoD is providing design assistance, construction support and equipment, and facility equipment. The U.S. Government is also providing the Russian Ministry of Atomic Energy (MinAtom) with containers for the transport and storage of fissile materials from dismantled weapons. Production of the containers began in October 1995, and initial shipments to Russia began in December 1995. Through FY 2000, more than 32,000 fissile material containers have been produced.
- **Weapons Protection Control and Accounting (WPC&A):** This CTR project focuses on improving security of nuclear weapons during transportation and interim storage. Assistance provided includes supercontainers, railcar upgrades, emergency support equipment, automated inventory control and

management systems, computer modeling, a personnel reliability program, 123 sets of “quick-fix” fencing and sensors for storage sites, and the development of a Security Assessment and Training Center to test and evaluate new security systems for storage sites.

- **Material Protection, Control and Accountability (MPC&A) Projects:** MPC&A efforts enhance the security of fissile materials at NIS facilities and institutes, and improve capabilities to prevent, detect and deter theft, diversion, or other unauthorized use of nuclear materials. The U.S. Department of Energy began managing and funding MPC&A programs in FY 1996. (see DOE-MPC&A section below.)
- **Enhancing Export Controls:** Through FY 1995, approximately \$39 million for export control assistance to the NIS was funded under the CTR program. This assistance was provided to Belarus, Kazakhstan, Russia, and Ukraine to help establish effective and sustainable national export control systems. In FY 1996, funding responsibility for NIS export control assistance shifted to the U.S. Department of State. This assistance has consisted of exchanges for government and industry representatives to acquaint them with the need for effective export controls; training for border guards and customs agents to enhance their proficiency; and equipment to support effective export control enforcement. (see State-NDF-Export Control section below)

Demilitarization: The third major area of CTR assistance involves efforts to facilitate the demilitarization and transition of the NIS countries to democratic institutions and market economies. These non-proliferation efforts provide alternative peaceful, civilian uses for former Soviet WMD-related production resources and alternative employment opportunities for former Soviet weapons scientists and engineers. Several projects have been established to provide demilitarization assistance.

- **Defense Conversion:** The U.S. Congress prohibited the obligation of CTR funds for defense conversion activities after FY 1996. As a result, no new defense conversion efforts were initiated under CTR in FY 2000; however, ongoing projects continued to assist in the transformation of the former Soviet defense complex into peaceful and productive civilian commercial entities. DoD previously awarded 17 contracts to 13 U.S. companies to work with former Soviet WMD facilities to convert portions of their production capability into non-military commercial ventures. Some examples of the resulting products include integrated circuit boards, air traffic control hardware and software, laser pointers, hearing aids, and dental equipment.
- **Defense Enterprise Fund (DEF):** In FY 1995, CTR shifted the focus of defense conversion efforts from direct creation of joint ventures to DEF projects. The DEF provides loans and grants and makes equity investments in joint defense conversion projects involving U.S. companies and former Soviet enterprises formerly involved in WMD production. Such activities support the elimination of weapons production capability while promoting market economies and democratic political systems. The Fund has converted more than 57,000 square meters of military plant facilities to peaceful activities and helped provide alternative employment for more than 3,700 former weapons scientists and defense workers. In FY 1997, new funding responsibility for the DEF was transferred to the Department of State under the FREEDOM Support Act (see also Enterprise Funds section above).
- **Science Centers:** The International Science and Technology Center (ISTC) in Moscow and the Science and Technology Center in Ukraine (STCU) were established to provide former Soviet weapons scientists opportunities to work on peaceful civilian research activities so they would not be tempted to sell their expertise to countries of proliferation concern. The Science Centers are multilateral efforts involving the , United States, European Union, Japan and other donors. Through FY 1995, the U.S. Government contributed \$49 million to the ISTC and \$15 million to the STCU under the CTR Program. Beginning in FY 1996, direct program funding responsibility shifted to the Department of State under the FREEDOM Support Act. (see Department of State - Science Centers section below)
- **U.S. Civilian Research and Development Foundation (CRDF):** The CRDF was established in August 1995 by the National Science Foundation (NSF) with an initial CTR grant of \$5 million matched by a \$5 million grant from George Soros. The CRDF is a non-governmental, non-profit foundation that has also received funding from the State Department, NSF and the National Institutes of Health (NIH). Its goals are to help sustain highly competent scientists and engineers in the NIS, primarily those from the former Soviet defense sector, and support the development of a market economy in the NIS. The CRDF funds project-

related grants for NIS scientists, collaborative projects with commercial potential, travel grants for first-time visits to the United States by NIS researchers seeking U.S. partners, and new equipment for selected NIS facilities to enhance their experimental research and development capabilities. (see also CRDF section below)

- **Collaborative Biotechnical Programs:** DoD initiated a program to fund collaborative biotechnical research with former biological weapons scientists to prevent the proliferation of biological weapons expertise and technology, increase access to Russian scientists, and to enhance the transparency of their work. CTR also is seeking to enhance the security of dangerous pathogens at Russian biotechnical facilities.
- **Defense and Military Contacts:** Please see section on CTR-Defense and Military Contacts.

CTR COUNTRY HIGHLIGHTS

(For detailed information on the International Science and Technology Center (ISTC), Export Control, and Material Protection, Control and Accounting (MPC&A) projects, please see the State Department and Energy Department sections below.)

BELARUS

| Project Name | | Notified | Obligated |
|--------------|---|---------------------|---------------------|
| 1. | Strategic Offensive Arms Elimination | \$3,578,000 | \$3,343,316 |
| 2. | Continuous Communications Link | \$1,036,000 | \$1,001,777 |
| 3. | Environmental Restoration (Project Peace) | \$24,950,000 | \$24,914,523 |
| 4. | Emergency Response | \$5,000,000 | \$4,982,939 |
| 5. | Material Control and Accounting | \$2,644,000 | \$2,616,644 |
| 6. | Export Control | \$12,475,000 | \$12,267,221 |
| 7. | Defense Conversion | \$19,270,000 | \$19,252,793 |
| 8. | Science and Technology Center | \$1,034,460 | \$1,034,460 |
| 9. | Defense Enterprise Fund | \$5,000,000 | \$5,000,000 |
| 10. | Defense and Military Contacts | \$500,000 | \$472,075 |
| TOTAL | | \$75,487,460 | \$74,885,747 |

Overview

The United States and Belarus have signed a government-to-government umbrella agreement on CTR assistance, seven agency-to-agency CTR implementing agreements, and one memorandum of understanding and cooperation. The umbrella agreement, which was extended for one year in October 1997, has expired. DoD has notified proposed obligations to the U.S. Congress of more than \$75 million in CTR assistance to Belarus, of which over \$74 million has been obligated through FY 2000 and over \$74 million disbursed. DoD does not intend to request additional funds for Belarus, as the President did not certify Belarus as eligible to receive CTR assistance for FY 1997, FY 1998, or FY1999 and therefore funds that were not obligated prior to March 4, 1997, cannot be spent.

Strategic Offensive Arms Elimination (SOAE): No further funds have been available to continue this project due to the de-certification of Belarus under CTR in 1997 and subsequent years. SOAE programs in Belarus sought to facilitate the expeditious, safe and environmentally sound elimination of WMD delivery systems. Of the \$16 million initially agreed upon, up to \$8 million is designated for elimination of fixed structures associated with the SS-25 mobile ICBMs and for the disposition of approximately 10,000 metric tons of liquid fuel and oxidizer. In consultation with the Belarusian Ministry of Defense, DoD awarded a fixed-fee contract in March 1996 to dismantle 81 SS-25 fixed structure/launch pads. The \$1.95 million contract was based in part on the contractor receiving site access by August 1996. However, the Belarusian Government did not authorize site access. Repeated diplomatic efforts to get site access were unsuccessful. As a result, the contractor, CDI removed its equipment from Belarus and the contract was terminated. No further work will be done on this project.

Continuous Communications Link (CCL): The objective of CCL assistance was to provide Belarus with its own capability to fulfill its reporting requirements under the INF and START Treaties; which it had previously been doing through Russia. Initial operational capability of the first of two planned circuits was established at the end of August 1993. Final operational cutover with a modernized system equipment configuration was achieved in mid-October 1995. However, due to the non-certification of Belarus in March 1997, no funds are available for this project.

Emergency Response Equipment and Training: The objective of this assistance is to provide equipment and training to respond to an accident or incident involving a nuclear weapon or fissile material. Equipment, training, and technical manuals were provided. Procurement actions for this program were completed in FY 1996 and deliveries and installation of a computer network upgrade and connectivity were completed in April 1997.

Export Control: CTR export control programs assisted Belarus in the building of export control institutions, infrastructure and legislation. Assistance provided to Belarus includes the installation of a local area network (LAN) and a wide-area network (WAN) for Belarus's licensing administration, establishment of an automation training center, pursuit vehicles, communication equipment, and interdiction equipment. Delivery of a cargo x-ray machine, baggage x-ray machines, and radiation detection equipment was completed by August 1996. In December 1996, six pedestrian portal monitors were procured. The equipment was delivered through January 1998, including vehicle portal monitors; automated computer connectivity between the main Customs Ministry, the Ministry of Foreign Economic Relations (MFER), regional Customs offices, and border checkpoints; additional portal monitors; and replacement forklifts. Hand-held radiation detectors and MFER software were delivered in March 1997. No further actions have been taken in this area.

Material Control & Accounting (MC&A), and Physical Protection (PP): This assistance sought to create a national system to facilitate the control, accounting, and physical protection of nuclear material used for peaceful purposes. This program was administered by the U.S. Department of Energy (DOE). Since 1996, all additional funding has come from DOE. All MPC&A work at the Institute of Nuclear Power Engineering at Sosny was completed in September 1996. This included MC&A, PP, and non-destructive assay (NDA) training courses at the Sandia and Los Alamos National Laboratories. All MC&A upgrades for Building 33, including those at the fresh fuel storage vault, were completed by August 1996.

Defense Conversion: The objective of defense conversion assistance is to convert former military enterprises to the production of civilian goods, assist in construction of housing to enable demobilization of Strategic Rocket Forces (SRF) officers, and establish retraining centers for qualifying demobilized SRF officers. The completed Belarus Defense Conversion Program was the earliest such CTR effort. Joint ventures and cost-sharing facilitated several joint venture projects (including contracts with Federal Systems Group (FSG) of Virginia; Byelocorp Scientific, Incorporated of New York; and KRAS Corporation of Pennsylvania) that helped support work carried out with local firms. Two of these three partnerships have not succeeded commercially and are now dormant. The third partnership, between FSG and Minsk Computer, had produced and sold battery rechargers, but the partnership did not develop further and is being terminated.

- At the request of the Belarusian Government, CTR assistance was provided (from funds available prior to FY 1997) for the construction of housing for demobilized SRF officers who, under Belarusian law, must be provided with housing upon their retirement. Construction was carried out through a Corps of Engineers-managed project awarded to ABB SUSA. While no joint venture is required by the contract, a Belarusian construction firm was hired as a subcontractor.
- Equipment for a computer training center, automotive repair training center, English language-teaching laboratory, and woodworking retraining center was delivered during the 1993-95 period. During an audit and examination (A&E) of the retraining center program, DoD discovered that civilian dependents of SRF officers were receiving training at those centers for a fee. DoD officials stressed to their Belarusian counterparts that the retraining center was for the explicit use of demobilized SRF officers. The delivery of additional training assistance was postponed, pending further evaluation of training needs. The U.S. Congress has prohibited the use of any additional available prior-year CTR funds for job-retraining assistance.

Defense Enterprise Fund (DEF): Up to \$5 million of the funds provided for the DEF have been allocated for equity investments, grants, and loans in joint ventures with Belarusian WMD enterprises. Because of difficulties with Belarusian privatization laws and DEF conditions, the DEF has not reached agreement on any projects in Belarus.

International Science and Technology Center (ISTC): The ISTC provides alternative employment opportunities for former WMD scientists and engineers so they can pursue peaceful research. The U.S. Government has obligated \$5 million for ISTC projects in Belarus. The first U.S. project award (\$488,000) was made in December 1995. In FY 1996, funding responsibility was transferred to the Department of State under the FREEDOM Support Act (see Science Centers section below).

Environmental Restoration: The objective of this assistance is to provide Belarus with the capability to conduct the environmental restoration of former Strategic Rocket Forces (SRF) bases. This project consists of three elements: (1) the establishment of an analytical chemistry laboratory, which was completed in April 1995; (2) the provision of remote sensors and geographic information system (GIS) equipment and the establishment of GIS and photographic processing laboratories, which were dedicated in March and April 1996, respectively; and (3) the modification of a Belarusian AN-26 aircraft, in Kiev, to accommodate remote sensors and the provision of technical assistance and training. The AN-26 plane was dedicated in July 1996, and additional installation and follow-on training continued through July 1997. Additional equipment for the chemistry lab was delivered in March 1996 with follow-on training in July 1997.

- A contract was awarded in April 1995 to Arthur D. Little, Inc. (ADL) to complete site assessments at Postavy and Ruzhany, provide field technical training in conducting site assessments, prepare site remediation plans, train Belarusian officials in the organization and management of environmental remediation projects, and co-sponsor an annual environmental conference. Site assessments at both Postavy and Ruzhany revealed similar contamination from semi-volatile organic materials and heavy metals. The Belarusian Government requested a change in focus from academic and governmental training to demonstration and training in the technologies recommended for remediation. Procurement actions were initiated to redirect ADL's efforts for Postavy, where the first site assessment is to be completed. These technologies will also have application to Ruzhany.

Audits and Examinations (A&Es): Four A&Es were conducted in Belarus in 1995. DoD's Belarusian counterparts were helpful, and the A&Es proved very useful. Two A&Es (of export control and industrial partnership programs) were conducted in 1996. Three A&Es were conducted in 1997 of SOAE liquid-fuel incineration, environmental restoration, and emergency response equipment and training; no problems were found. No A&Es were conducted in FY 1998. A&Es were conducted concurrently in January and February 1999. No A&Es were conducted in FY 2000.

KAZAKHSTAN

| Project Name | Notified | Obligated |
|---|----------------------|----------------------|
| 1. Strategic Offensive Arms Elimination | \$64,339,000 | \$59,095,218 |
| 2. Government-to-Government Communications Link | \$2,600,000 | \$2,361,605 |
| 3. WMD Infrastructure Elimination | \$29,500,000 | \$28,888,773 |
| 4. BW Proliferation Prevention | \$5,000,000 | \$4,991,632 |
| 5. Emergency Response | \$4,903,000 | \$4,689,583 |
| 6. Material Control and Accounting | \$22,553,000 | \$22,401,877 |
| 7. Export Control | \$7,260,000 | \$7,164,943 |
| 8. Defense Conversion | \$17,200,000 | \$17,067,031 |
| 9. Science and Technology Center | \$9,000,000 | \$9,000,000 |
| 10. Defense Enterprise Fund | \$7,000,000 | \$7,000,000 |
| 11. Defense and Military Contacts | \$2,300,000 | \$1,572,962 |
| TOTAL: | \$171,655,000 | \$164,233,625 |

Overview

The United States and Kazakhstan have signed a government-to-government umbrella agreement on CTR assistance, and eight agency-to-agency CTR implementing agreements, as well as a memorandum of understanding and cooperation. DoD has notified proposed obligations to the U.S. Congress of over \$171 million in CTR assistance to Kazakhstan, over \$164 million of which has been obligated to date and over \$149 million of which has been disbursed. Overall, programs with Kazakhstan have gone smoothly, although DoD experienced occasional difficulties with taxation and licensing. DoD does not intend to request additional CTR funding in future years for Kazakhstan, although program implementation continues with prior-year funds.

Projects

Strategic Offensive Arms Elimination (SOAE): The objective of this assistance is to facilitate START I implementation. The primary project assisted Kazakhstan in the safe elimination and cleanup of all SS-18 silo launchers and launch-control centers, training silos, and silo test launchers, enabling Kazakhstan to fulfill its START I obligations. This project consisted of two phases. In Phase I, Russia was responsible for destroying the silo headworks; contracts valued at approximately \$1.2 million were awarded to two Kazakhstani companies to remove equipment deemed valuable to the Kazakhstani Government, prior to the destruction of the headworks by Russia. The second phase involved completing the elimination and re-grading of the destroyed silo sites, including recovery of metal within the site perimeters. The last of the 147 silo sites was eliminated and regraded in October 1998. Kazakhstan has been seeking U.S. Government assistance to address environmental remediation outside the site perimeters, but since such assistance cannot be provided under CTR legislation, other sources of funding are being explored. The SOAE agreement was amended in July 1995 to allow the U.S. Government to provide additional dismantlement assistance, such as elimination of infrastructure associated with strategic offensive arms, disposition of excess liquid rocket fuel, and elimination of heavy bombers. At a DoD-MoD/CDI technical meeting in October 1995, requirements were defined for elimination of the seven Bear-G heavy bombers abandoned by the Soviet Union at the Chagan (Dolon) Aerodrome. DoD procured and delivered the agreed-upon elimination equipment to Kazakhstan in fall 1997, and the bombers were verified as eliminated in February 1998. DoD and MoD/CDI have also jointly defined requirements to dispose of the excess liquid rocket fuel left behind by Russia, to eliminate pipes and tanks for fuel at the missile bases, and to dismantle former nuclear weapons storage sites at missile bases and at the Chagan Aerodrome. The final tasks will be accomplished in two phases. Phase I, which involved assessment and preparation for dismantlement, has been completed. Phase II, actual dismantlement, is scheduled for completion in 2000.

Government-to-Government Communications Link (GGCL): The objective of GGCL assistance is to provide Kazakhstan with its own capability to fulfill its reporting requirements under the INF and START Treaties, which it previously did through Russia. The single circuit link was installed in 1995, and a second multi-channel link was also installed. The Kazakhstani Government will use funds earned from leasing the extra channels to pay for the operations of the second GGCL channel. This project was closed out in July 1999.

Emergency Response Equipment and Training: The objective of this assistance is to provide equipment and training to respond to an accident or incident involving a nuclear weapon or fissile material; however, with the removal of the last nuclear warhead from Kazakhstan, DoD has agreed to allow Kazakhstan to use the equipment for training and response to incidents involving non-weapons-related nuclear materials. Further, in response to a request by Kazakhstan's Ministry of Science in early October 1997, DoD offered to provide Kazakhstan with mobile labs and associated equipment which would form the core capability of a nuclear emergency response laboratory to assess possible counterproliferation dangers in the Semipalatinsk/Polygon area. In mid-November 1997, the Kazakhstani Government accepted this offer. General Motors subsequently shipped four vehicles to Lawrence Livermore Laboratories, where they were configured. The vehicles were delivered in July 1999; training was conducted at former test sites in the Semipalatinsk region. Deliveries of initial equipment (including chemical and fire-fighting protective clothing, air sampling monitors, radiation monitors, and personal dosimeters) under the original project have been completed. A computer local-area network (LAN) was procured and a DoD technical team traveled to Kazakhstan to install the LAN and provide training in August 1997.

Export Control: This CTR project was completed prior to FY 1999. The objective of this assistance is to help build export control institutions, infrastructure and legislation. CTR-provided computers, customs laboratory equipment, and patrol boats and vehicles now augment Kazakhstan's existing export control infrastructure. Delivery of and training on the customs laboratory equipment occurred in October 1995. Additionally, six patrol boats were procured to assist with enforcement on the Caspian Sea—five Boston Whaler Vigilants and one SeaArk Dauntless. A wide-area network (WAN) for export control licensing was installed in Almaty, linking the Ministry of Industry and Trade, a regional training center (BusinessInform), the Council of Ministers, and other referral agencies in April 1997. Portions of this export control project supported the overall assistance program for Project Sapphire (which involved the purchase and transfer to secure storage of weapons-usable uranium from Kazakhstan to the United States, as well as related assistance) and were completed by the end of FY 1997. Delivery of pursuit and other vehicles with radios and automation equipment was completed in summer 1997. A total of 21 jeeps, minivans and rangers were shipped and arrived in Almaty in mid-May 1997. (See State Department Export Control and Border Security Program for new developments.)

Material Control & Accounting (MC&A) and Physical Protection (PP): The objective of this assistance is to strengthen Kazakhstan's existing MC&A and PP systems. DOE programs are under way at the Ulba State Holding Company Fuel Fabrication Plant, the Aktau BN-350 breeder reactor, the Almaty research reactor, and the IGR and Baikal reactor sites at Semipalatinsk in Kurchatov City. At the national level, the U.S. Nuclear Regulatory Commission (NRC) is assisting in developing a Kazakhstani regulatory program as well as an information and reporting system. Beginning in FY 1997, funding has been provided by DOE. At the facility level, DOE has established an MC&A and PP program at the Ulba Fuel Fabrication facility that can be a model for other Kazakhstani facilities. A local area network (LAN) was delivered to the Atomic Energy Agency of the Republic of Kazakhstan (AEA-RK) in August 1995, and MC&A equipment was delivered to Ulba. Kazakhstan PP specialists have traveled to the United States for technical training. (See Department of Energy MPC&A Program.)

Industrial Partnerships: The objective of this assistance is to convert former military enterprises to the production of civilian goods. The following projects were funded prior to Congressional prohibition of CTR defense conversion funding:

- **Byelocorp Scientific, Inc. (BSI):** BSI has been contracted to convert GidroMash, a former missile and aircraft systems production facility, to designing, manufacturing and distributing valves and pressure vessels for cryogenic materials and gases. The first prototype of a stainless steel cryogenic valve was produced in June 1995. Full production was reached in July 1996, and the export of cryogenic valves began. An additional \$1.25 million was awarded to BSI in September 1997 to establish an additional production line for cryogenic intermodal containers at Byelkamit. This project utilized additional former defense factory space and initially employed 67 former defense workers. This joint venture is among the most successful in Kazakhstan.
- **Allen & Associates International:** Allen & Associates International was contracted to convert BioMedPreparat, a former biological weapons research and production facility at Stepnogorsk, to manufacturing, packaging and distributing vitamins. Initially, the project bottled vitamins imported from the United States; however, the project fell behind schedule, was plagued by cut-offs of electrical service due to BioMedPreparat's failure to pay its electric bills, and was terminated at the convenience of the U.S. Government.
- **Kras (Kazakhstan's National Nuclear Center):** This project has been completed. Kras was contracted to convert a former nuclear weapons testing facility into a printed circuit board (PCB) production plant. Production began in September 1996. The joint venture, KK Interconnect, is now selling its products—a patented universal telephone/modem adapter and universal TV remote control—in the United States and Europe. The Defense Enterprise Fund (DEF) has taken a 31-percent share of the joint venture in exchange for an equity investment of \$ 3.0 million.
- **Lucent Technologies:** This project has been completed. Lucent Technologies was contracted to convert KazInform Telecom (KIT), which owns a portion of the Saryshagan test range, into an international telecommunications company and to establish wireless telecommunication in 11 cities using Saryshagan as an international telecommunications downlink. The DEF assisted in capitalization and initial operation of the national/international phone system, and approved a \$3.0 million equity investment.

Defense Enterprise Fund (DEF): DoD has provided a total of \$7 million to the DEF for equity investments, grants, and loans in joint ventures with Kazakhstani WMD enterprises. DEF funding includes the above-mentioned \$3 million for the Lucent project and \$3.0 million for the Kras venture.

International Science and Technology Center (ISTC): The ISTC provides opportunities for former WMD scientists and engineers to pursue peaceful research. Kazakhstan completed formal ISTC membership procedures in June 1995. A total of \$9 million was provided by DoD, all of which has been disbursed. In FY 1996, funding responsibility was transferred to the Department of State under the FREEDOM Support Act (see Department of State - Science Centers section below).

Weapons of Mass Destruction Infrastructure Elimination (WMDIE): WMDIE programs help eliminate facilities and/or infrastructure that supported WMD. The WMDIE Program includes a \$24.5 million project to assist Kazakhstan in infrastructure dismantlement at a former Soviet biological weapons (BW) plant at Stepnogorsk and the elimination of nuclear testing infrastructure associated with former Soviet nuclear test tunnels at Degelen Mountain and vertical test holes at Balapan. All 181 tunnels and all 13 test holes have been sealed. A DoD contracting team visited Stepnogorsk in December 1996 and signed a contract with BioMedPreparat to inventory equipment at the facility, determine analytical laboratory requirements and prepare for dismantlement. In October 1997, parallel U.S.-Kazakhstani testing of some 1,000 samples taken at Stepnogorsk was completed. The testing was performed in a toxicology lab in Kazakhstan established with CTR assistance, which is now also being used for environmental research under an Environmental Protection Agency Report. WMDIE funds also helped pay for activities under Project Sapphire, which involved the purchase and transfer to secure storage of weapons-usable uranium from Kazakhstan to the United States.

Audits and Examinations (A&Es): An A&E of Government-to-Government Communications Link (GGCL) activities was conducted in Kazakhstan in July 1995 and went very smoothly. In 1996, three A&Es were conducted in Kazakhstan on export control, emergency response and defense conversion activities. In 1997, A&Es on WMDIE assistance at Degelen Mountain and on SOAE silo launcher elimination took place in August, an A&E on export controls was conducted in October, and an A&E on MC&A was completed in late 1997. An A&E on emergency response equipment and training was conducted in June 1998, with one minor discrepancy identified and subsequently corrected. The two remaining A&Es for Kazakhstan were conducted in August 1998 and found no major discrepancies. Three A&Es conducted in FY1999 found no major discrepancies. Two A&Es were conducted in FY 2000 with no major discrepancies. Kazakhstan continues to be a very cooperative partner in the conduct of A&Es.

Defense and Military Contacts: These programs seek to promote our counterproliferation, demilitarization and defense reform objectives by fostering dialogue and cooperation with NIS militaries. Over 22 defense and military contacts with Kazakhstan took place in FY 2000. These included: exchanges between senior officers of the Arizona National Guard to Kazakhstan; a visit to Kazakhstan of USCINCCENTCOM, discussions on NCO development with Kazakhstani officials; an interagency border security assessment of Kazakhstan; and a number of exercises with the Kazakhstani Armed Forces designed to improve regional security and cooperation.

RUSSIA

| Project Name | | Notified | Obligated |
|--------------|---|------------------------|------------------------|
| 1. | Strategic Offensive Arms Elimination | \$729,900,000 | \$574,617,970 |
| 2. | Nuclear Weapons Storage Security | \$217,200,000 | \$113,496,063 |
| 3. | Nuclear Weapons Transportation Security | \$59,500,000 | \$37,025,491 |
| 4. | Fissile Material Storage Facility Design | \$15,000,000 | \$14,998,584 |
| 5. | Fissile Material Storage Facility | \$330,700,000 | \$325,179,432 |
| 6. | Fissile Material Processing and Packaging | \$18,700,000 | \$0 |
| 7. | Fissile Material Containers | \$73,507,291 | \$73,429,373 |
| 8. | Elimination of Weapons Grade Plutonium Production | \$55,800,000 | \$29,973,553 |
| 9. | BW Proliferation Prevention | \$21,000,000 | \$15,262,058 |
| 10. | Chemical Weapons Destruction | \$286,500,000 | \$179,994,423 |
| 11. | Emergency Response | \$16,436,000 | \$15,316,419 |
| 12. | Security Enhancements for Railcars | \$21,500,000 | \$21,442,609 |
| 13. | Material Control and Accounting | \$44,789,000 | \$44,125,909 |
| 14. | Export Control | \$2,260,000 | \$2,224,084 |
| 15. | Armored Blankets | \$3,322,000 | \$2,991,247 |
| 16. | Defense Conversion | \$43,661,000 | \$36,496,720 |
| 17. | International Science and Technology Center | \$35,000,000 | \$34,892,568 |
| 18. | Research and Development Foundation | \$10,000,000 | \$10,000,000 |
| 19. | Arctic Nuclear Waste | \$30,000,000 | \$30,026,624 |
| 20. | Defense Enterprise Fund | \$10,000,000 | \$10,000,000 |
| 21. | Defense and Military Contacts | \$15,137,000 | \$12,417,759 |
| TOTAL | | \$2,039,912,291 | \$1,583,910,887 |

Overview

The United States and Russia have signed a government-to-government umbrella agreement on CTR assistance, fifteen agency-to-agency CTR implementing agreements, one implementing protocol, and two memorandums of understanding and cooperation. DoD has notified proposed obligations to the U.S. Congress of over \$2.0 billion in CTR assistance to Russia, of which over \$1.5 billion has been obligated through FY 2000 and over \$1.0 billion disbursed. Cooperation has evolved and strengthened over the years in DoD's interaction with the Russian ministries administering the CTR program, including the Ministry of Defense (MoD), the Ministry of Atomic Energy (MinAtom), the now-disbanded Ministry for Defense Industry (MDI), and the Ministry of Economy (MinEcon).

Since FY 1997, the CTR program has focused increasingly on Russia. About \$419.1 million of the \$458.1 million appropriated for CTR in FY 2000 was earmarked for Russia. To assist Russia in reducing its force structure to START II or potential START III levels, DoD, MoD and MinEcon agreed in December 1997 on new CTR projects to support the required missile systems dismantlement, strategic submarine elimination, and to enhance nuclear weapons and fissile material security. Several of these projects are now under way. Projects are also being developed to help the Russians to prevent the proliferation of biological weapons (BW) expertise and technology.

Projects

Strategic Offensive Arms Elimination (SOAE): SOAE assistance provides Russia with equipment, training, services and logistical support to help expedite the elimination of strategic offensive arms pursuant to the START treaties. This effort includes assistance with liquid rocket-fuel transportation and disposition, SLBM launcher and associated submarine elimination, ICBM silo launcher elimination, solid rocket-motor elimination, ICBM dismantlement, heavy bomber elimination and other projects. It also includes equipment for emergency support in case of an accident during the transport or elimination of missiles. Equipment shipments have continued steadily since July 1994. DoD plans to contract to eliminate at least 41 SSBNs and 612 SLBM launchers. DoD is also procuring infrastructure and equipment to expand SLBM launcher and associated

submarine elimination. In FY 1998, DoD also awarded a contract to transport, defuel, eliminate, neutralize and dismantle submarine-launched ballistic missiles (SLBMs) from the Yankee- and all Delta-class SSBN submarines. Together, these projects will increase Russia's capability to eliminate its SSBN submarines. A solid rocket-motor elimination facility contract was awarded in April 1997. The new facility will eliminate SS-24s, SS-N-20s and SS-25 solid rocket motors. DoD is implementing a project to eliminate SS-18 heavy-lift ICBMs in accordance with the stringent START II procedures by procuring equipment and building additional infrastructure needed for Russia's existing SS-18 dismantlement facility at Surovatikha. In FY 1999, a contract worth \$10.5 million was awarded for this effort. DoD is currently designing modifications to the SS-11 elimination facility at Piban Shur to configure it to eliminate SS-19 and SS-17 ICBMs.

Nuclear Weapons Transportation Security: DoD and the MoD are cooperatively working to enhance the security of nuclear weapons during transport in connection with their destruction.

- **Armored Blankets:** The objective of this assistance is to provide ballistic protection by wrapping warheads or containers with armored blankets. A total of 1,500 surplus U.S. Army LANCE ballistic blankets were shipped in July 1992, and 2,520 new kevlar blankets had been shipped by June 1993.
- **Rail Car Security Enhancements:** This assistance provides training and equipment to modify cargo and guard rail cars for transport of nuclear weapons destined for dismantlement. Security upgrade kits for 100 cargo and 15 guard railcars had been provided to MoD as of October 1994.
- **Supercontainers:** Supercontainers enhance nuclear weapons security and safety during transport. In February 1998, the 150th British-designed supercontainer for enhanced physical security and adverse environment safety during transportation was delivered. Two prototypes will be provided for use in training.
- **Information Analysis System:** This project provides equipment to manage information and resources for the purpose of accident consequence mitigation. It will enhance Russian capability to support decision-making in response to nuclear weapons accidents. The Information Analysis System center was dedicated in November 1998. Training on CTR-provided hardware and software was completed in February 2000.
- **Emergency Support Equipment:** This assistance provides equipment, training and technical manuals to enhance the MoD's capability to respond to accidents involving nuclear weapons in transit to dismantlement activities.

Nuclear Weapons Storage Security: The objective of this assistance is to establish cooperation between DoD and the Russian MoD in enhancing the security of nuclear weapons storage in connection with their destruction, and the prevention of nuclear weapons theft or diversion. Important improvements to the security of Russia's nuclear weapons storage include an Analytical System and Software for Evaluation of Safeguards and Security (ASSESS) computer model, as well as training to assess site and guard-force security vulnerabilities. As Russia currently does not allow access to its sensitive nuclear weapons storage sites, DoD and MoD have developed special audit and examination (A&E) procedures to ensure that assistance for nuclear weapons storage sites is being used for its intended purpose.

- **"Quick Fix:"** This project will provide 123 sets of a one-kilometer perimeter security system consisting of an inner and outer layer of security fence surrounding a security fence with microwave sensors, vibrations cable and alarm sensing systems installed at designated nuclear weapons storage structures. The first 50 sets have been delivered through 2000.
- **Security Assessment and Training Center (SATC):** Construction of a new SATC at Sergiev Posad to test and evaluate new security alarm and access-denial equipment was completed in FY 2000. Once a suite of equipment is selected it will be procured and installed at up to 123 of Russia's national nuclear weapons storage sites. Initial deliveries of "quick-fix" upgraded fencing and sensors (50 km) took place from September through December 1997. The MoD has installed about fifteen percent of the equipment at the national weapons storage sites and is working to install the remainder as soon as possible. MoD reported 33 sets operational as of October 2000.
- **Nuclear Weapons Automated Inventory Control and Management System (AICMS):** Through 2000, initial computer equipment for establishing an AICMS has been procured and delivered. The MoD's

analysis of the AICMS prototype was completed in 1997, and the MoD agreed to have a U.S. integrating contractor assist in the development of computer architecture and the procurement computer and interface components.

- **Guard Force Upgrades:** This program is designed to enhance the capability and effectiveness of Russian nuclear weapons guard forces by providing 60 Small Arms Training Simulators and twelve shooting ranges. Contracts will be awarded in FY 2001.
- **Personnel Reliability Program (PRP):** CTR has provided equipment and training for upgrading Russia's PRP. Portable drug and alcohol testing equipment arrived in November 1997, and related training was completed in early 1998. Polygraph equipment arrived and was installed in January 1998. A fixed-site laboratory contract was awarded in December 1998. Construction of the laboratory was completed on November 1, 1999 and operations begun in 2000.

Fissile Material Storage Facility at Mayak: The objective of this assistance is to help the Russian Government provide safe and secure storage for fissile material from dismantled nuclear weapons. DoD is committed to provide design assistance, construction support, and construction and equipment for the storage facility being built at Mayak in the Southern Urals. DoD provided \$15 million for technical design assistance materials, services and training for the Russian-led design effort for the facility. U.S.-provided construction equipment (e.g., bulldozers, excavators and cranes) has been delivered to Mayak and is being used in Phase I of the construction process. As part of the joint administrative team, DoD's on-the-ground presence for the duration of the project at Mayak is helping to expedite construction. Construction activities during FY 2000 resulted in the main storage building being completely enclosed. Installation was also completed on the first half of the storage nests. Completion of the first storage building with a capacity of 25,000 cans of material is scheduled for 2002.

Fissile Material Containers (FMCs)/Post-Dismantlement Processing: The objective of this assistance is to provide MinAtom with containers for the transport and storage of fissile material from dismantled weapons. The original plan was to store 50,000 FMCs in the Mayak facility. DoD has awarded a contract for delivery of 33,000 FMCs. As of the end of FY 2000, 32,453 FMCs had been produced and 26,450 had been shipped to Russia. The rest are in storage in the United States until the Russian storage requirements are finalized.

Elimination of Weapons Grade Plutonium: The objective of this project is to provide assistance to cease production of weapons-grade plutonium at Russia's three remaining plutonium (Pu)-producing reactors in Seversk and Zheleznogorsk, while allowing the reactors to continue to provide heat and electricity to the regions' residents. DoD is the project manager, with technical assistance provided by DOE and the Nuclear Regulatory Commission. DoD has contracted the Phase II effort (design and testing) with DOE-Richland and Pacific Northwest National Lab. A CTR implementing agreement was signed in September 1997. DoD is re-evaluating alternatives in light of technical issues with HEU conversion design.

Chemical Weapons Destruction Assistance: This CTR program to assist Russia in destroying its chemical weapons (CW) stockpile and associated infrastructure, has three elements: (1) provision of chemical-agent analytical monitoring capabilities, (2) design and construction of a CW destruction facility (CWDF), and (3) elimination of chemical weapons production facilities.

- The CTR Program has been renovated and has equipped a Central Analytical Laboratory (CAL) in Moscow as part of a multi-laboratory system to support the development of analytical methods and procedures for the safe, secure, and environmentally sound destruction of Russian CW. Upon completion, this facility will enable Russia to conduct laboratory and toxicology studies for its extensive destruction and demilitarization program with a high degree of accuracy. In tandem with the CAL, three mobile monitoring labs have been provided to Russia.
- The CTR Program plans to provide assistance for the design and construction of a pilot-scale destruction facility for the elimination of nerve-agent-filled artillery munitions. The facility is to be located at Shchuchye, in the Kurgan Oblast Region, where some 14 percent of Russia's nerve agent munitions are stored. The Russian Government's Environmental Expert Review Board approved the overall Russian justification of investment (JOI) for the CWDF project in January 1998, allowing the Main State Expert Review Board to complete its review of the JOI and the Kurgan Oblast authorities to select the site for the destruction facility near Shchuchye in June 1998. Site dedication took place in September 1998. FY 1999 activities included

completion of technical documentation (30% design) to support land allocation process, sub-component testing of munitions destruction process line, detailed design for 1:100 agent destruction process scale-up, and drafting of joint plans for construction, systemization and operation training.

- The U.S. Congress has deleted all FY 2000 and 2001 funding for this project. This action was taken largely as a result of concerns with the slow progress by Russia in meeting its construction-related requirements at the Shchuchye site and the lack of international assistance for the project. Russia is working to correct their construction issues. In addition, the US is attempting to obtain allied commitments for assistance to the project.
- The CTR Program is also assisting with the demilitarization of two of the five Chemical Weapons Convention (CWC)-declared former chemical weapons production facilities (CWPF) at OAO Khimprom, Volgograd and OAO Khimprom, Novocheboksarsk, Russia, leaving them ready for conversion to peaceful purposes. Two of the remaining CWPFs have expressed interest in CTR demilitarization assistance. Demilitarization operations will consist of decontamination, dismantling and destruction of specialized equipment and special features related to the production, transfer, and storage of chemical agents/weapons, and their precursors as outlined in the CWC. Where more appropriate and cost-effective, facilities will be demilitarized through demolition. Activities include the awarding of a contract to complete a pilot project and plan for demilitarization of remaining buildings within the GB (sarin) and GB (soman) nerve agent production areas in Volgograd; and a contract to demilitarize the first building and plan for three additional buildings with VX nerve agent weapons production area in Novocheboksarsk.

Biological Weapons (BW) Proliferation Prevention: The objective of this assistance is to prevent the proliferation of BW technology and expertise by joint research at former Soviet BW institutes on biodefense. Building on a pilot project carried out by the National Academy of Sciences, DoD is establishing the management and contracting structure to identify research priorities, evaluate proposals, identify partners, and allocate funding for this project. CTR is working in conjunction with the Department of State and a number of other U.S. Governmental agencies to develop these collaborative relationships. These efforts increase transparency and access and build confidence that such former Soviet facilities are not being used for military modernization. These projects also provide exchange opportunities to Russian and American scientists. During FY1999, eleven collaborative research projects were awarded. In addition, CTR is developing a project similar to MPC&A associated with Russia's nuclear sites. The aim of this program is to enhance BioSecurity and Safety at former research centers. CTR also has a project to eliminate infrastructure and equipment at a former bio research center at Novosibirsk.

Defense Conversion: The objective of defense conversion programs is to convert former military enterprises to the production of civilian goods. The following projects were funded prior to Congressional prohibition of defense conversion funding:

- **Industrial Partnerships:** Three industrial partnerships in Russia succeeded in converting and privatizing former WMD-related military facilities to establish civilian production of high-performance hearing aids, dental chairs and infection-control solutions, and air traffic control hardware and software. These partnerships enhanced the commercial potential of former high-technology military enterprises and served as a visible reminder of the vital importance of involving private partners and capital in the conversion endeavor.
- **Housing:** DoD provided \$20 million for American Housing Technologies, Inc. (AHT) to work with one or more Russian defense firms to convert and privatize defense facilities and establish housing-assembly and component-manufacturing capabilities for the production of prefabricated housing for demobilized Russian officers and the Russian housing market. The project envisions establishing a lumber-finishing plant and production lines for windows and doors, brass casting (for the production of boilers), roofing, and housing assembly by converting three Russian aerospace enterprises formerly engaged in production of WMD-related items. More than 70 percent, or 20,000 square meters, of factory space at the enterprise Komposit is being converted to produce fiberglass windows, doors, window glass, faucets and shingles, ultimately employing 2,500 former defense workers. Mashinostroeniye has converted 3,000 square meters and will employ 300 former defense workers to produce windows and doors. Production on these lines is expected to begin in the future.

Defense Enterprise Fund (DEF): The DEF has invested in eight projects in Russia, primarily in the areas of telecommunications, information technology, and materials recycling. The DEF has been extremely effective, not only funding successful conversion projects in Russia, but also helping the Russian Government and the Russian defense industry understand the requirements conversion projects must meet in order to attract private venture capital. As a direct result of DEF investments, a former manufacturer of nuclear submarine components is now building excavation equipment, scientists and engineers who were involved in nuclear weapons testing now produce circuit boards, and satellite tracking technology is now employed in private telecommunications applications.

International Science and Technology Center (ISTC): The Moscow-based ISTC provides opportunities for former Soviet WMD scientists and engineers to pursue peaceful research. The ISTC is a multinational organization to which DoD provided \$64 million in CTR funds before funding responsibility was transferred to the State Department under the FREEDOM Support Act in FY 1996 (see Science Centers section below).

Civilian Research and Development Foundation (CRDF): The CRDF provides research and development (R&D) opportunities for NIS scientists, particularly from the defense sector, and encourages links between NIS scientists and U.S. scientists and businesses. CTR funds, contingent upon the receipt of matching funds (\$5 million was initially provided by the Soros Foundation), were provided to establish this National Science Foundation-administered program (see CRDF section below).

Material Control and Accounting, and Physical Protection (MC&A and PP): This assistance strengthens Russia's capability to detect and deter possible theft, diversion, or other unauthorized use of nuclear material. Physical protection enhancements help to detect, delay and respond to adversarial acts, including theft and sabotage. The U.S. Government also helps national and facility-level Russian authorities enhance their capability to effectively track and report on nuclear material inventories as well as illicit transfers. In FY 1995, the U.S. Department of Energy became the executive agent for these programs, and beginning in FY 1996, funding responsibility for this program shifted to DOE.

Export Control: Export control assistance helps prevent proliferation by strengthening Russia's export control capabilities. CTR funding has supported the Russian Government's participation in conferences, training and information exchanges in order to integrate it into the international export control community and to facilitate more effective control of sensitive exports and adherence to international control regimes. Responsibility for this program was shifted to the Department of State in 1996. All remaining DoD funds have been obligated and disbursed (see State Department Export Control section below).

Arctic Nuclear Waste Assessment: The objective of this assessment is to investigate and analyze nuclear waste disposal in the Arctic regions. Several studies were performed under this initiative, which was established in FY 1993 as primarily a unilateral U.S. Government effort. The Russian side has been cooperative, but no formal agreements have been reached, and none are planned. DoD has obligated almost all the \$30 million notified to the U.S. Congress for this effort and has completed the research.

Audits and Examinations (A&Es): Although the U.S. Government's rights to conduct A&Es are spelled out in the CTR Umbrella Agreement and various CTR implementing agreements, in response to Russian requests, DoD worked with various Russian counterpart agencies in late 1995 and early 1996 to define administrative arrangements for the conduct of A&Es. Since then, A&Es in Russia have generally operated smoothly, with a few exceptions where projects were under MinAtom's purview. In September 1997, supplementary special arrangements were developed to permit DoD to account for assistance being provided to enhance the physical security of sensitive nuclear weapon storage sites. The initial trial A&E for this unique project successfully occurred in mid-1998. Seven A&Es were conducted in FY 2000.

Defense and Military Contacts: These programs seek to promote our counterproliferation, demilitarization and defense reform objectives by fostering dialogue and cooperation with NIS militaries. Despite US-Russia tensions during and post-Kosovo, over 25 defense and military contacts with Russia were conducted during FY 2000. These included: meetings of the Defense Consultative Group; the US-Russia Harvard Generals Program; Joint Staff talks; reciprocal O-6 level Small Group meetings; Trilateral Arctic Search and Rescue Exercise with Canada; Navy Staff talks; and assorted Theater Missile Defense exercise meetings.

UKRAINE

| Project Name | | Notified | Obligated |
|---------------|--|----------------------|----------------------|
| 1. | Strategic Nuclear Arms Elimination | \$468,949,000 | \$419,132,863 |
| 2. | Government-to-Government Communications Link | \$2,222,000 | \$2,029,460 |
| 3. | WMD Infrastructure Elimination | \$23,400,000 | \$14,937,343 |
| 4. | Emergency Response | \$3,110,000 | \$2,947,227 |
| 5. | Multilateral Nuclear Safety Initiative | \$11,000,000 | \$11,000,000 |
| 6. | Material Control and Accounting | \$22,215,000 | \$22,178,813 |
| 7. | Export Control | \$13,949,000 | \$13,931,429 |
| 8. | Defense Conversion | \$55,730,000 | \$55,047,985 |
| 9. | Science and Technology Center | \$15,000,000 | \$15,000,000 |
| 10. | Defense and Military Contacts | \$7,500,000 | \$5,392,804 |
| TOTAL: | | \$623,075,000 | \$561,597,924 |

Overview

The United States and Ukraine have signed a government-to-government umbrella agreement on CTR assistance, eight implementing agreements, and one memorandum of understanding. To date, DoD has notified proposed obligations to Congress of more than \$623 million in CTR assistance to Ukraine, of which over \$561 million has been obligated through FY 2000 and over \$469 million disbursed. Despite some early difficulties, CTR efforts in Ukraine have become one of DoD's most successful programs. With the Ukrainian Government's official decision to eliminate the SS-24 missile system and eliminate several Bear H and Blackjack heavy bombers and their associated air-launched cruise missiles (ALCMs), CTR projects and further funding requests are expected to continue through FY 2002.

Projects

Strategic Nuclear Arms Elimination (SNAE): SNAE activities help facilitate START I implementation and will help eliminate all strategic nuclear weapons systems in Ukraine, including the SS-19 and SS-24 ICBM systems, and 38 heavy bombers. SNAE assistance has included grants that were critical to the removal, processing and transportation of all strategic nuclear warheads (approximately 1,900) from Ukraine to Russia, allowing Ukraine to announce its nuclear-free status in June 1996. Through 2000, 111 SS-19 missiles, 144 SS-19 launch silos including one training silo and 13 launch control center silos have been eliminated. Assistance provided through FY 2000 included equipment and personnel training, logistics and maintenance services, integration of contractors to eliminate missiles and silos, and housing for retiring SRF officers. An SS-19 missile neutralization and dismantlement facility (NDF) that can process up to six missiles per month was commissioned in July 1996. By February 1999 this facility had eliminated all 111 SS-19 ICBMs and was being used to eliminate transport and launch canisters, and aggregate instrument block units. DoD plans to dismantle 46 SS-24 launch silos and five launch control centers. Thus far 22 silos have been eliminated. SS-24 missile disassembly, storage, and elimination activities include; renovation and construction of facilities required for temporary storage of missiles and missile disassembly, providing of services required to disassemble and eliminate 54 SS-24 ICBMs and one SS-24 first stage. In addition to elimination of the delivery system, a missile liquid-fuel storage facility was expanded by 3,800 metric tons (MT) to hold over 5,000 MT of SS-19 fuel. The fuel from all 130 missiles is already in storage. In December 1997, the Ukrainian Government submitted an official request to the Secretary of Defense for specific CTR assistance in eliminating as many as 38 START-accountable heavy and 493 associated ALCMs. The first bomber elimination began in November 1998, witnessed by Senator Lugar and a congressional delegation. In addition, CTR will be providing assistance in destroying 44 non-deployed START-accountable ICBMs (SS-19s). Ukrainian law provides that military officers must receive housing on retirement. To provide the officers' housing required for dismantlement of the SS-19 system and to assist in downsizing the Ukrainian military, DoD constructed 605 housing units for SRF officers at Pervomaysk and Khmelnytsky. This project was completed in 1997.

Weapons of Mass Destruction Infrastructure Elimination (WMDIE): WMDIE assistance seeks to eliminate the infrastructure necessary to support WMD forces, including physical plants, support systems and materials. All WMDIE programs are scheduled to be concluded by FY 2002. Elimination of missile propellant and deactivation of nuclear weapons support infrastructure at the Pervomaysk and Khmelnytsky ICBM Divisions is already under way.

Export Control: The objective of these programs is to strengthen export control systems by building export control institutions and infrastructure. DoD has provided automation equipment for Ukraine's licensing, enforcement, and customs administrations, as well as customs interdiction equipment. Equipment procured under this program includes office automation equipment, local area networks (LANs), customs laboratory equipment, and X-ray enforcement and radiation-detection equipment. All efforts have been completed and the project was closed out on October 21, 1999. Funding and administration of this effort shifted to the Department of State in 1996.

Material Control & Accountability and Physical Protection (MC&A and PP): This assistance provides systems to detect and deter the theft, diversion or other unauthorized use of nuclear material. Beginning in 1996, funding responsibility for this program was transferred to DOE. Work is under way at four nuclear sites in Ukraine to provide the infrastructure associated with implementing MC&A and PP. Throughout FY 1998, technical exchanges and site visits were used to identify specific hardware requirements and to demonstrate systems. Training courses in non-destructive assay, as well as MC&A and PP were held for staff from all Ukrainian nuclear facilities. Procurement actions have been initiated for x-ray vans, baggage x-ray machines, contraband detectors, access control systems, and perimeter and interior intrusion-detection systems for all four facilities.

Civilian Cooperative Nuclear Reactor Safety Upgrade: The objective of this assistance is to provide a nuclear reactor simulator for training of reactor operators and engineers to enhance safe operation of nuclear power plants. The U.S. Government has helped establish a National Nuclear Training Center with a computer-based, full-scope simulator that simulates the behavior of a VVER-1000 nuclear power plant. This project is administered by DOE, and involves simulator hardware and software design and engineering, training, construction and testing, shipping, installation, spare parts, and other support. The simulator was delivered by the U.S. Government in October 1997.

Government-to-Government Communications Link (GGCL): The objective of GGCL assistance is to provide Ukraine with its own capability to fulfill its reporting requirements under the INF and START Treaties, which it had previously done through Russia. The first GGCL circuit is now installed and operational. No additional actions will be taken at this time.

Emergency Response Equipment and Training: The objective of this assistance is to provide the MoD with equipment and training to respond to an accident or incident involving nuclear weapons during transit related to dismantlement. Although emergency response equipment was delivered, including communications equipment for a command and control computer network, fire-retardant suits, anti-contamination suits, cranes, and personal dosimeters, the completion of the transporting of all nuclear weapons back to Russia obviated the need for most of this equipment. As a result, the corresponding implementing agreement was allowed to lapse after December 18, 1996. DoD has approved a plan to sell some of this equipment to fund needed maintenance to SS-24 missile monitoring systems. All activities associated with this program, including training and equipment support, are being terminated.

Science and Technology Center-Ukraine (STCU): The STCU provides opportunities for former Soviet weapons scientists and technical experts to pursue peaceful research. Initial U.S. Government funding was complemented by \$2 million from Canada and \$2 million from Sweden. Funding responsibility for the STCU shifted to the Department of State in FY 1996 (see Science Centers section below).

U.S.-Ukraine Industrial Partnerships: The objective of these joint industrial partnerships between U.S. and Ukrainian firms is to convert former Soviet military production capability to peaceful, civilian uses.

- **Federal Systems Group (FSG)/Kommunar:** FSG was awarded a \$3.25 million contract to form KomTel, a joint venture with Ukraine's Kommunar Production Association, Inc., to assemble and manufacture cellular phones. FSG was to contribute \$1.5 million to the creation of this \$4.4 million joint venture. FSG provided equipment and completed the contract. Kommunar expressed concern over FSG performance, and as a result, DoD has been working with Kommunar to help it find a new joint venture partner. DoD contracted with the KRAS Corporation to conduct a feasibility study of cellular phone production at Kommunar, with the goal of identifying a new investor for the venture. The study found that cellular phone production in Ukraine was economically feasible, but that finding a new cellular partner for Kommunar was unlikely, due to a non-competitive agreement between FSG and Kommunar. Subsequent discussions on assembling hand-held two-way radios at Kommunar facilities failed to result in the formation of a joint venture.

Audits and Examinations (A&Es): A&Es help ensure that CTR assistance is being used for its intended purposes. Responding to Ukrainian requests, DoD worked to develop administrative arrangements in 1995 and 1996 for the conduct of A&Es as provided under the CTR Umbrella Agreement. DoD conducted four A&Es in 1995 on a trial basis. In 1996, DoD conducted successful A&Es of rocket propellant disposition, silo launcher elimination assistance under the SNAE agreement, export control assistance, emergency response equipment, and MPC&A assistance in Kharkiv and Kiev. A total of five A&Es were conducted in Ukraine in 1997. In response to a January 1997 Ukrainian Government request, DoD conducted a comprehensive A&E covering \$68 million worth of SNAE assistance. Other A&Es were completed in fall 1997 on the GGCL, export control and defense conversion projects. An additional A&E in December 1997 covering SNAE silo launcher elimination and liquid rocket propellant disposition found several major pieces of equipment in unserviceable condition, but repairs were expected to be made. Five A&Es were conducted in FY 2000. U.S. A&E rights in Ukraine will end with the termination of individual implementing agreements or of the CTR Umbrella Agreement, whichever occurs first.

Defense and Military Contacts: These programs seek to promote our counterproliferation, demilitarization and defense reform objectives by fostering dialogue and cooperation with NIS militaries. Approximately 70 defense and military contacts with Ukraine took place in FY 2000. These included: meetings of the Bilateral Working Group with Ukraine, the US-Ukraine Harvard Generals Program; exchanges on NCO Corps development and military education reform; exercise Rough & Ready 2000; and exchanges with the California and Kansas National Guards.

CTR DEFENSE AND MILITARY CONTACTS PROGRAM

Since 1994, the US Government has sought to promote our counterproliferation, demilitarization and defense reform objectives by fostering dialogue and cooperation with CTR-eligible NIS militaries. Currently, CTR-eligible countries include Russia, Ukraine, Moldova, Georgia, Kazakhstan, Kyrgyzstan and Uzbekistan.

Through bilateral military exchanges, the U.S. Government seeks to promote demilitarization (e.g., military reform and restructuring, transparency, regional confidence building, etc.) and counterproliferation efforts, and to help NIS countries improve their border controls as a means of safeguarding material and technology related to weapons of mass destruction. The Defense and Military Contacts program has grown from initial familiarization exchanges among senior officials to an ever-expanding set of substantive exchanges between counterparts at all levels of government—from enlisted personnel, to field grade and flag officers, to ministers of defense. The sheer number of annual contacts continues to increase over time, from the low tens in the early CTR years, to almost 350 contact events planned for FY 2001. These increased bilateral contacts have resulted in strengthened channels of communication with NIS militaries and have facilitated the start of their transition to western military models.

In FY 2000, the CTR program funded almost 250 defense and military contact events in the NIS, including military exercises, high-level exchanges, ship visits and exchanges of delegations on defense and military topics. In FY 2000, program expenditures exceeded \$14 million. Due to the availability of prior-year funds, however, only \$2 million in new appropriations was requested in FY 2000. Nearly all prior-year funds had been exhausted by the start of FY 2001, however.

U.S. DEPARTMENT OF DEFENSE (DoD) - ARCTIC MILITARY ENVIRONMENTAL COOPERATION PROGRAM

In March 1995, DoD began discussions with the Norwegian and Russian Ministries of Defense on a joint Arctic Military Environmental Cooperation (AMEC) Program to address critical environmental issues related to these militaries' unique capabilities and activities in the Arctic region. In September 1996, U.S. Secretary of Defense Perry, Norwegian Minister of Defense Kosmo, and Russian Minister of Defense Rodionov signed a declaration launching a cooperative effort among these three military forces under the AMEC framework. The AMEC Program initiated support of joint activities to ensure safe handling and storage of radioactive materials, and proper disposal of hazardous toxic materials, and to exchange information on risk assessments and clean-up technologies and methods. All projects are focused on demonstrations of existing "off-the-shelf" technology. Program funding is provided by all three parties, with each country principally paying for its own participation. The U.S. Government's AMEC activities are part of an interagency effort involving the U.S. Environmental Protection Agency (EPA) and the Departments of Energy, State and Defense, with DoD serving as the lead agency for the U.S. side. The AMEC Program was included under the Expanded Threat Reduction Initiative (ETRI) in the Administration's FY 2000 budget request. Total U.S. Government funding for the AMEC program has been \$16.29 million: funding in FY 1997 was \$1.8 million, in FY 1998 Congress earmarked \$5 million in CTR funds to support AMEC, and in FY 1999 and FY 2000 DoD budgeted \$4.88 million and \$4.61 million, respectively, out of DoD operations and maintenance funds for the AMEC Program.

Trilaterally approved projects are being conducted in seven program areas under the AMEC Program:

Program Area 1.1: Naval spent nuclear fuel management—development of a prototype cask for interim storage and transport of spent nuclear fuel and cask storage pad;

- A prototype cask has been completed and certified. It is anticipated that the CTR Program will initially purchase 12 casks. Storage pad site selection and design criteria have been completed and construction is scheduled for early 2001.

Program Area 1.2: Liquid radioactive waste treatment—development of a mobile processing facility;

- A Russian contractor has been selected to build the first prototype mobile facility that will process liquid radioactive waste associated with nuclear submarines at remote sites.

Program Area 1.3: Solid radioactive waste volume reduction—development of a mobile facility;

- The technology assessment for volume reduction has been completed. The manufacture of a mobile pretreatment facility is in progress.

Program Area 1.4: Solid radioactive waste storage technologies – surface coating, steel and concrete storage containers; modular storage building;

- Review of surface-coating technology has been completed. Steel solid radioactive waste containers were developed and manufactured in Russia and have been delivered to the Russian Navy for field testing. Manufacture of Russian-made concrete and metal storage containers is planned for 2001.

Program Area 1.5: Radiation safety training and monitoring techniques – radiation control at naval facilities;

- Equipment transfer, training and exchange of monitoring strategies are completed. As for radiation control at facilities, application of the PICASSO system is in progress. (The PICASSO system includes the application of radiological sensing equipment interfaced with computerized graphic displays that are tailored to specific radiological waste storage and submarine dismantlement sites. The system automates and greatly enhances the ability for local and centralized monitoring of radiological hazardous material.) Modification of the PICASSO software to meet RF standards has been completed and the modified system was successfully demonstrated in August 2000 at the IBRAE facility in Moscow.

Program Area 2.1: Technologies for remediation of hazardous waste sites on military bases;

- Although the project has been approved, Congressional restrictions specifically prohibiting environmental remediation are preventing further U.S. Government involvement in this project. The final report has been completed, and the project will be closed out as soon as Norway signs the contract.

Program Area 2.2: Review and implementation of “clean ship” technologies.

- Assessment of the non-radioactive hazardous waste problem on board Russian naval vessels and evaluation of suitability of existing clean ship technologies and strategies for ship waste processing is completed. Russian-designed shipboard oily wastewater treatment technology was successfully demonstrated in August 2000 at a research facility in St. Petersburg, Russia.

In FY 1999 and 2000, four AMEC projects were completed: the prototype spent fuel interim storage and transport cask, radiological health training and radiation monitoring technologies, review of technologies for remediation of hazardous waste sites and review of clean ship technologies. With the exception of the hazardous-waste remediation project, the U.S. Government provides support to all AMEC projects.

U.S. DEPARTMENT OF DEFENSE (DoD) - COUNTERPROLIFERATION PROGRAMS

Under separate legislative acts in FY 1995 and FY 1997, the U.S. Congress directed the Secretary of Defense to develop and implement, in collaboration with the U.S. Customs Service and the Federal Bureau of Investigation (FBI), two counterproliferation initiatives to provide training and technical assistance to NIS law enforcement, customs and border guard personnel. These two programs—the DoD/FBI Counterproliferation Program and the DoD/U.S. Customs Service (USCS) Counterproliferation Program—are coordinated with the U.S. Department of State, specifically the Export Control and Related Border Security (EXBS) Program and the Anti-Crime Training and Technical Assistance (ACTTA) Program, and are implemented by the Office of the Secretary of Defense, the Defense Threat Reduction Agency (DTRA) and other agencies.

A total of \$13.49 million has been obligated for these two programs through the end of FY 2000. Over the past five years, these funds have supported achievement of significant program milestones:

- Cooperative agreements have been signed with 10 countries, and are under negotiation with three more. One or both programs have been established in 16 countries.
- A total of 950 foreign officials have been trained in various weapons-of-mass-destruction training efforts.
- U.S. experts from USCS, Department of Commerce and FBI have assisted two countries with legislative drafting, and are working with several more.

Equipment provided or personnel trained under these two programs were involved in several successful WMD seizures made by local officials. For example, in 1998, Bulgaria intercepted a shipment of nuclear reactor equipment, while Romania seized one of WMD-controlled equipment. In 1999, Kyrgyzstan seized a shipment of plutonium, and Bulgaria and Georgia seized shipments of U-235. In 2000, radioactive material was also stopped at the Uzbekistani-Kazakhstani border using radiation detection equipment provided by DoD under these programs.

DoD/FBI Counterproliferation Program: The National Defense Authorization Act for FY 1995 (P.L. 103-337) authorized the Secretary of Defense and the Director of the FBI to develop a joint program to expand and improve U.S. Government efforts to deter, interdict and prevent the possible proliferation and acquisition of weapons of mass destruction (WMD) by organized crime groups and individuals in the NIS. The focus of the DoD/FBI Counterproliferation is on nuclear, chemical and biological weapons-related law enforcement training to prevent smuggling and trafficking. The program's work plan is divided into three elements: policy consultations and program development, training and assistance, and equipment procurement. Program plans and the first country assessments were initiated in 1996 to determine program requirements. Following training and reviews of existing assistance, some equipment may be provided to enable trained personnel to execute their responsibilities more efficiently and competently.

The DoD/FBI Program has three objectives: (1) to assist in the establishment of a professional cadre of law enforcement personnel within participating nations who are trained and equipped to prevent, deter, and investigate crimes related to proliferation and/or diversion of WMD-related materials; (2) to assist participating nations, upon their request, in developing appropriate laws, regulations, and enforcement mechanisms in accordance with international standards; and (3) to build a solid and long-lasting bureaucratic framework reinforced by political commitment that enables participating governments to address proliferation problems.

The U.S. Congress authorized DoD to reprogram up to \$10 million in support of this initiative. In FY 2000, the DoD/FBI Counterproliferation Program obligated approximately \$836,000. Estimated expenditures include \$80,000 each for Georgia and Moldova, \$77,000 for Kazakhstan, \$65,000 for Kyrgyzstan, \$65,000 for Uzbekistan. In FY 2000 the DoD/FBI Counterproliferation Program conducted:

- A WMD enforcement seminar for officials from Georgia and Uzbekistan (June 2000).
- Legal Advisory assistance was provided to Kazakhstan in December 1999, and Moldova in February 2000.

DoD/U.S. Customs Service Counterproliferation Program: the DoD/U.S. Customs Service (USCS) Counterproliferation Program was authorized in Section 1424 of the National Defense Authorization Act for FY 1997. This program focuses on providing equipment. A government-to-government counterproliferation agreement must be in place between the United States and the participating nation prior to delivery of U.S. Government-funded equipment. These agreements provide a legal framework for this program, can be used to facilitate other U.S. bilateral assistance activities, establish written government commitments to prevent WMD proliferation and trafficking, provide liability protections and tax/customs exemptions for Department of Defense funded assistance and ensure privileges and immunities for U.S. personnel providing assistance under these agreements. Through 1999, agreements have been put in place with Azerbaijan, (this program is exempt from Section 907 restrictions on assistance to the Government of Azerbaijan), Georgia, Moldova, Kazakhstan and Uzbekistan. Also, the U.S. Government is in various stages of negotiations on similar agreements with Armenia, Kyrgyzstan and Turkmenistan.

The DoD/U.S. Customs Service Counterproliferation Program has three objectives: (1) to assist in establishment of a professional cadre of border enforcement personnel trained to detect, identify, interdict and investigate all aspects of smuggling and trafficking related to proliferation of nuclear, biological and chemical weapons and related material; (2) to assist in developing appropriate legislation, laws, regulations and enforcement mechanisms; and (3) to help build a solid, long-lasting bureaucratic and political framework for counterproliferation in participating nations.

During FY 2000, approximately \$2.204 million was obligated and expended under the DoD/USCS Program. Of this amount, an estimated \$220,000 was for Armenia, \$240,000 for Azerbaijan, \$312,000 for Moldova, \$122,000 for Uzbekistan, \$32,000 for Kazakhstan. Program highlights are provided below:

- In April 2000, a WMD detection/interdiction training course was held at the Hanford Nuclear Site in Washington State for 21 Moldovan officials. This brings the total of NIS officials who have attended these courses to 110 since 1997.
- A 4-day WMD seminar at ILEA was given to 39 Azerbaijan officials (November 1999), and 39 Armenian officials (June 2000).
- A counterproliferation Investigative Training course was given to 18 Moldovans in September 2000.
- One high-technology enforcement and border security equipment module was delivered to Azerbaijan (May 2000) with on-site user training for 29 Azerbaijani officials. In addition, 60 additional radiation detection pagers were provided to Uzbekistan in April 2000.
- WMD laboratory equipment assessments were done in Uzbekistan (March 2000), and Moldova (May 2000).
- Strategic Tracking Training was given to 12 border guards /officials in Kazakhstan (March 2000), and 9 in Uzbekistan (April 2000), to help track off-road movements of illicit border-trafficking.

- The Commander of the Azerbaijan Border Guards and 4 officials visited US Customs and Coast Guard facilities, March 2000, to observe U. S. border security operations

Preview of FY 2001 Programs: DoD is reviewing means to strengthen these programs during FY 2001, and is proposing to do the following:

- Seek legislative authority to consolidate and refocus the two existing programs for efficiency;
- Improve coordination with other U.S. Government related programs;
- Create new in-country WMD training modules;
- Provide additional equipment and augment classroom instruction with exercises in selected countries;
- Explore extension of relationships to emergency and civil preparedness organizations;
- Explore leveraging NATO and Unified Command resources; and
- Develop feedback from recipient nations for further tailoring country programs.

U.S. DEPARTMENT OF DEFENSE AND U.S. DEPARTMENT OF STATE—WARSAW INITIATIVE / PARTNERSHIP FOR PEACE

In July 1994, the Administration requested \$100 million from the U.S. Congress to help America's new democratic partners work with us to advance the goals of the Partnership for Peace. The U.S. Government's Warsaw Initiative was intended to jump-start Partnership for Peace (PFP) participation with an infusion of readily-available funds. The Departments of Defense and State continue to provide assistance under the Warsaw Initiative to facilitate partner-country participation in PFP exercises, conferences, seminars and other events and to enable partners to procure equipment and training to enhance the interoperability of their armed forces with those of NATO.

U.S. Department of Defense (DoD) – Warsaw Initiative (WI)

These programs seek to address near-term problems which limit the ability of partners to engage in PFP activities; promote interoperability with NATO; defense reform; increase the level of participation in PFP exercises; and support efforts to deepen defense and military cooperation between U.S. and NATO and their PFP partners. The funds used for the WI are DoD-budgeted operations and maintenance (O&M) funds. The Under Secretary of Defense for Policy and the Office of the Assistant Secretary of Defense (Strategy & Threat Reduction) are responsible for policy oversight of the Warsaw Initiative program for the NIS. The Defense Security Cooperation Agency administers Warsaw Initiative funds.

- **Support for Exercises and Related Activities:** DoD WI funds partners countries' participation costs (travel, hotel, food and other consumables such as fuel) in PFP or "In the Spirit of PFP" (ISO PFP) exercises in which U.S. forces are also participating. Over 50 PFP or "In the Spirit of PFP" exercises are conducted each year, including peacekeeping, humanitarian assistance deliveries, command post exercises, and field training exercises. Some examples of WI-funded exercises which were conducted in FY 2000, and were either hosted by NIS countries or included significant NIS participation, are provided below:

European Command

- Cornerstone '00-'01: A bilateral ISO PFP engineering exercise hosted by Moldova.
- Peace Shield '00: A multinational ISO PFP exercise conducted in Ukraine that consisted of a command post exercise linked with a field training exercise.
- Sea Breeze '99: A U.S-Ukrainian ISP PFP multinational maritime/amphibious command post exercise.

Central Command

- CENTRASBAT: A field training exercise was conducted in Kazakhstan in September 2000. Participating countries included Kyrgyzstan, Uzbekistan, Russia, Georgia, and Ukraine.

Joint Forces Command

- **Eloquent Nugget:** A public affairs exercise was conducted in Washington, D.C.
- **Interoperability Programs:** DoD funds also pay for a range of DoD Interoperability Programs, which are generally initiated by the Office of the Secretary of Defense and usually operate at the Ministry of Defense level. FY 2000 programs included: Defense Resource Management Studies (DRMS) programs and DRMS follow-on programs in Uzbekistan and Moldova; a Logistics Exchange (LOGEX) program in Georgia; Defense Resource Planning and Exchange (DRPE) programs in Moldova and Ukraine; Defense Planning Exchanges (DPE) programs in Moldova and Uzbekistan; a Defense Public Affairs Exchange program, a series of Economic Adjustment seminars, a Military Education Reform Task Force, and a program on Creating an All-Volunteer Force in Ukraine.
- **Conferences and Seminars:** Warsaw Initiative funds pay for partner participation at U.S.-sponsored PFP/NATO conferences, seminars (such as those held at the Marshall Center), expert visits, exchanges and other programs.

Most PFP member-states are eligible to receive Warsaw Initiative assistance. Eligible NIS states include Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Ukraine and Uzbekistan. Section 907 of the FREEDOM Support Act prohibits certain types of U.S. Government assistance to the Government of Azerbaijan. As a matter of policy, these restrictions are applied equally to Armenia. Exceptions to Section 907 have authorized limited engagement with both Azerbaijani and Armenian Ministries of Defense in the following areas: (1) democratization; (2) nonproliferation activities under Title V of the FREEDOM Support Act and counterproliferation (legislation limits DoD's role to Section 1424 of the National Defense Authorization Act, 1997 for counterproliferation-related border security activities with border guard customs officials only); and (3) humanitarian assistance (demining, for which only Overseas Humanitarian, Disaster, and Civic Aid funds can be used). In FY 2001, a small number of democracy-building Interoperability Programs are planned with Armenia and Azerbaijan using Warsaw Initiative funds. They include defense public affairs and legislative affairs exchanges, seminars on legal reform, and a national security planning in democracy seminar for Azerbaijan in FY 2001 followed up by the same conference in Armenia in early FY 2002. Most forms of U.S. Government assistance to the Government of Belarus, including WI, are currently suspended. Tajikistan is currently not a member of PFP.

Approximately \$45.4 million was appropriated to support the DoD Warsaw Initiative Program in FY 2000 in the NIS and in Central and Eastern European countries. Of this amount, \$1.7 million was budgeted to support NIS interoperability programs. Another \$24.1 million went to support the U.S. European Command (\$17.9 million, which includes funding for National Guard participation in exercises); U.S. Central Command (\$3.7 million); and the PFP Information Management System (PIMS) (\$2.5 million).

U.S. Department of State – Partnership for Peace (PFP) Initiative

Under this program, the U.S. Department of State provides Foreign Military Financing (FMF) funds, implemented through the U.S. Department of Defense, to PFP partner countries for the acquisition of U.S. defense articles and services. Eight NIS countries—Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Ukraine and Uzbekistan—received a total of \$12.35 million in FMF funding in FY 2000. Despite initial problems in learning how best to take advantage of the FMF Program, the NIS countries are beginning to capitalize on their FMF funding, using it to implement their PFP programs. In FY 2000, FMF funds were used to purchase tactical radio communications systems, tactical vehicles, English-language training equipment and publications, uniforms, boots, basic individual equipment, medical equipment, night-vision devices, computers, search and rescue equipment, and specialized training, including medical, English-language and non-commissioned officer (NCO) courses.

U.S. DEPARTMENT OF STATE - INTERNATIONAL MILITARY EDUCATION AND TRAINING (IMET)

The State Department's IMET Program is designed to foster greater respect for and understanding of the principle of civilian control of the military, to contribute to responsible defense resource management, and to improve military justice systems and procedures in accordance with internationally recognized human rights. The IMET Program complements other PFP activities by providing a wide range of specialized training in the United States for military officials and select civilian officials. One of the most important elements of the NIS component of IMET is English-language training for military officers. In FY 2000, the Department of State provided \$4.803 million in IMET funding for the NIS, for a cumulative total of \$25.687 million since FY 1997. (Please see individual country assessments in Part II of this report.)

U.S. DEPARTMENT OF STATE - SCIENCE CENTERS PROGRAM

The Science Centers Program is implemented by two multilateral intergovernmental organizations that were established under international agreements signed in the early 1990s: the International Science and Technology Center (ISTC) in Moscow, established by agreement in November 1992, and the Science and Technology Center in Ukraine (STCU) in Kiev, established by agreement in October 1993. The primary objective of the Science Centers Program is to prevent the spread of weapons-of-mass-destruction (WMD) and delivery-system technologies by providing opportunities to former Soviet weapons scientists and engineers to redirect their weapons expertise to peaceful activities. Since 1994, the two Science Centers have funded over 1,300 projects involving almost 40,000 former Soviet weapons scientists and engineers. The U.S. Government cooperates with Canada, the European Union, Japan, the Republic of Korea, and Norway in providing financial support for the ISTC and STCU, which operate in most of the NIS countries. The Science Centers and their activities also receive substantial in-kind contributions from Russia, Ukraine and the other participating NIS states (Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan and Uzbekistan) in the form of local office and personnel support, tax and customs exemptions, and infrastructure support for projects at participating research organizations.

In FY 2000, the Science Centers continued to expand their activities both in terms of scientific project proposals and in support areas such as business training, travel, and commercialization development. The ISTC experienced a 30-percent increase in submitted proposals over FY 1999; however, despite a significant increase in U.S. Government program funding allocations for the ISTC, there were still many high-priority ISTC projects and initiatives left under-funded. The approximately 40,000 former Soviet weapons scientists engaged by Science Center projects over the past eight years is still only about one-half the estimated total number of weapons scientists and technicians of the old Soviet system. In addition, through engagement via the Science Centers, the U.S. Government is discovering more institutes and facilities with WMD-applicable personnel and equipment that represent a serious proliferation concern. Also, countries of concern continue to search for expertise that could be applied to WMD programs. Of particular concern are former pilot and large-scale chemical and biological weapons production facilities that are no longer in use as well as biological research institutes specializing in animal and plant diseases.

The Moscow-based ISTC supports project work and other activity at scientific institutes in Russia, Armenia, Belarus, Georgia, Kazakhstan and Kyrgyzstan. The Kiev-based STCU operates in Ukraine, Georgia, and Uzbekistan, with Moldova and Azerbaijan expected to join in FY 2001. In FY 2000, the United States was the largest contributor to project funding and support activities in both Centers. In FY 2000, a total of \$59 million in FREEDOM Support Act (FSA) funds was allocated to the Science Centers by the Department of State, and U.S. Government partner agencies contributed over \$10 million to both centers for projects in their own areas of activity and scientific research.

Both Science Centers are maturing into second-generation organizations that are increasing the scope and diversity of their activities and funding sources. This maturation of the centers include: an increasing number of project proposals submitted from an increasing number of institutes and facilities; a growing number of projects funded by government and industry partners; and the anticipated addition of Moldova, Azerbaijan, and possibly Turkey to one or both of the Science Centers. Tajikistan has also inquired about joining the STCU. The two Science Centers are also expanding the scope of business support activities that go beyond funding cooperative science projects. These support activities include training and research support services for commercialization of project results, support services for domestic and international patent application, increased support for travel

(both by NIS scientists to the West and U.S. experts to the NIS) for project development and collaborator cooperation, and scientific workshops to bring NIS and western scientists together to discuss research topics.

The FY 2000 program plan experienced significant implementation delays due to congressional holds on release of FSA funding. However, by August, the entire \$59 million appropriated was released to the Department of State, which in turn allocated the entire amount to the Centers. Starting in FY 2001, the Science Centers program funding will move from the FSA account to the Nonproliferation, Anti-Terrorism, Demining, and Related Activities (NADR) Account. A FY 2000 country breakdown is provided below:

| COUNTRY | FY 2000 PROGRAM PLAN |
|--------------|-------------------------|
| Russia | \$32.0 m |
| Ukraine | \$13.0 m |
| Kazakhstan | \$3.0 m |
| Armenia | \$2.0 m |
| Georgia | \$3.0 m |
| Uzbekistan | \$2.0 m |
| Kyrgyzstan | \$0.5 m |
| Regional | \$3.5 m |
| Belarus | \$0 |
| TOTAL | \$59.0 m |

Russia: In FY 2000, the U.S. Government allocated \$32 million for ISTC-related projects and activities at Russian institutes. The projects were in the areas of biotechnology/life sciences, nuclear physics, chemistry, materials, instrumentation, and aerospace and transportation research. Over \$2 million in projects, communication systems improvements, and training opportunities were directed specifically at Russia's nuclear closed cities in support of the U.S. Energy Department's Nuclear Cities Initiative (NCI). Also, the U.S. Government continued its effort to redirect former Soviet bio-weapon scientists and facilities. As part of this redirection effort, the Department of State funded over \$5 million in ISTC projects, as well as supported travel for scientists to the United States, training, and communications upgrades at three Russian biotechnical institutes. In addition, the Department of Health and Human Services and the Department of Agriculture funded several ISTC partner projects with Russian biological research institutes to address specific public health issues and animal and plant microbiology studies. Under the Defense Department's CTR program, the Defense Threat Reduction Agency (DTRA) and the Defense Advanced Research Projects Agency (DARPA) funded several ISTC partner projects in the areas of bioterrorist defense and biological material protection/physical security upgrades at several Russian biological institutes that were once part of the secret Soviet biological weapons research network. (See also HHS, USDA and DoD-CTR sections).

Ukraine: In FY 2000, the U.S. Government allocated \$13 million for STCU-related projects and activities at Ukrainian institutes. The U.S. Government continued to fund STCU projects targeted at the Kharkiv region in support of the Kharkiv Partnership, an effort to recognize the financial sacrifice made by this region in 1998, when it cancelled several contracts with Iran's Bushehr nuclear power plant. Also, in support of the 1999 U.S.-Ukrainian Memorandum of Understanding on Space Cooperation, the National Aeronautical and Space Administration (NASA) joined the STCU as a U.S. partner in August 2000 and has joined the National Space Agency of Ukraine (NSAU) and other Ukrainian aerospace institutes in several STCU partner projects. In addition, the U.S. Energy Department's Initiatives for Proliferation Prevention (IPP) program joined the STCU as a U.S. partner, and other U.S. Government agencies and programs are expected to become STCU partners in FY 2001.

Armenia: In FY 2000, the United States allocated \$2 million for STCU-related projects and activities at Armenian institutes. In addition, the ISTC co-sponsored a workshop in Yerevan on the "Caucasus Initiative", a cooperative effort among scientists from the US, EU, Armenia, Georgia, Azerbaijan, Turkey, and Greece to study regional seismic issues such as earthquake detection and preparedness.

Belarus: Given the U.S. Government's policy of selective engagement with the Government of Belarus due to its poor record on human rights, the State Department's Science Centers Program maintains a policy of not providing any funds for project work in Belarus (with the possible exception of humanitarian projects related to

effects of the Chernobyl disaster). In 1999, the U.S. National Cancer Institute, building on its success in working through the STCU in Ukraine, began using the ISTC program for financial and administrative management of its long-term Chernobyl health-effects research program in Belarus.

Georgia: As a participating member in both the ISTC and STCU, Georgia is the only NIS country to take advantage of membership in both Science Centers. In FY 2000, the U.S. Government allocated \$3 million for ISTC- and STCU-related projects and activities at Georgian institutes. This included three ISTC projects totaling over \$300,000 for the Institute of Physics in Tbilisi, in keeping with the U.S. Government's special focus on this institute for its cooperation in Operation Auburn Endeavor, which removed weapons-grade uranium from this institute's research reactor for safekeeping outside of Georgia. Also, the U.S. effort to redirect FSU biological weapons expertise began to focus on Georgian biotechnology institutes; the U.S. Government co-funded an ISTC project on bioremediation at the Institute of Plant Biochemistry in Tbilisi, and more institutes are expected to be engaged in FY 2001.

Kazakhstan: In FY 2000, the U.S. Government allocated \$3 million to ISTC-related projects and activities at Kazakhstani institutes. These projects were in the fields of biotechnology, nuclear-reactor decommissioning technology, environmental decontamination and monitoring, and robotics and manufacturing technology. In particular, two projects (totaling about \$1 million) will focus on decommissioning concepts for the BN-350 reactor in Aktau, a reactor that produced weapons-grade plutonium. Also, as part of the U.S. effort to redirect former biological weapons scientists, the ISTC and the Energy Department's Initiatives for Proliferation Prevention (IPP) continued to support redirection of scientists at the former BW production facility in Stepnogorsk; the U.S. Department of Agriculture funded a \$1 million project at the Scientific Research Agricultural Institute in Kazakhstan to study animal pathogens, and the Department of State funded a \$260,000 public health project on brucellosis at Kazakhstan's Anti-Plague Research Institute in Almaty.

Kyrgyzstan: In FY 2000, the U.S. Government allocated \$500,000 for ISTC-related projects and activities at Kyrgyz institutes. These projects were in the fields of environmental monitoring, mining technology, and seismic monitoring.

Uzbekistan: STCU projects continued to be developed in Uzbekistan in FY 2000. In FY 2000, the U.S. Government allocated \$2 million for STCU projects and activities at Uzbek institutes. Also, the Uzbek Government continued preparations to open an STCU branch office in Tashkent, which should be opened in FY 2001. In addition, other U.S. Government programs such as the Defense Department's Cooperative Threat Reduction (CTR) Program expect to increase their activities in Uzbek biological and nuclear science institutes through the STCU, once these agencies have joined the STCU as U.S. Government partners.

Project Highlights

Commercialization and Technology Implementation: The results of several ISTC and STCU projects have entered the marketplace or are being implemented in a variety of activities. The Ulba Metallurgical Plant announced several multi-million dollar commercial contracts to supply beryllium-based material, resulting in the creation of 150 new jobs. The conversion of this plant to commercial production was made possible by a series of ISTC technology development projects totaling over \$4 million, and included developing and applying new laboratory equipment to perform analysis and quality control of the product (Ulba's testing laboratory is now ISO 9002 certified.) In another example, the Russian Research Center of Toxicology and Hygienic Regulation of Biopreparations in Serpukhov was invited to demonstrate its PCB-devouring microbes (developed under an ISTC project) for a soil remediation/environmental clean-up program in the San Francisco Bay area. Many more projects are on the cusp of making this same step, and the ISTC's Technology Implementation group and the STCU's Sustainability activity will help the scientists prepare and showcase their results to the international business and scientific communities.

Protecting the intellectual property rights (IPR) of these Science Center projects has also become a major activity for the Science Centers. In FY 2000, the ISTC supported 15 patent applications and the STCU supported over 30 applications. Guidelines for IPR terms have been incorporated into both the ISTC and STCU model project agreements, but both centers need legal counsel on their staffs to deal with complex IPR issues.

Partner Program: Partner contributions are becoming a significant percentage of both Centers' project financing, with U.S. Government and industry partners contributing the most. For example, in FY 2000, the ISTC received over \$10 million from U.S. Government agency partners and almost \$1 million from private U.S. industry partners, amounting to about 60 percent of the total partner funds contributed for ISTC projects. The number of partners is also increasing, with the ISTC having 40 partners registered and the STCU having 46 partners registered.

Training and Exchanges: Training and exchanges are a rapidly expanding area of Science Center activity that plays an important role in facilitating the long-term transition of weapons scientists to civilian activity. The U.S. Government has spearheaded the development of a variety of these programs:

- Both the ISTC and STCU implement and sponsor training programs in business management, protection of intellectual property rights (IPR), commercialization of project results and proposal development, to provide institute staff with core skills that will help market technologies developed under Science Center projects. FY 2000 training courses reached hundreds of individuals in cities across the NIS and were highly rated by the participants.
- The Science Centers' exchange programs expanded significantly in FY 1999 and continued to expand in FY 2000. During FY 2000, the U.S. government supported over 300 trips involving hundreds of scientists through the ISTC travel support program. The STCU supported the travel of 19 Ukrainian and Uzbek scientists to the United States to meet potential partners and collaborators.
- Several regional ISTC training centers were established in Russia (Moscow, St. Petersburg, Yekaterinburg, Sarov) and Kazakhstan (Almaty) to provide business management and commercialization training. A nine-month ISTC project on retraining in information technology and software engineering was begun in Armenia with over 70 participants. In FY 2000, the STCU developed training courses to help Ukrainian, Uzbek and Georgian scientists on intellectual property rights and commercialization; the STCU trained over 330 project participants in FY 2000 in techniques to move their project results to the marketplace.

In addition, the Science Centers have provided substantial professional development training for their Russian and Ukrainian staff at ISTC and STCU headquarters in Moscow and Kiev, respectively. The objective of this training is to ensure that local Science Center staff meet demanding professional standards and have the appropriate background to assist the scientists and engineers that participate in Science Center projects.

Audits and Oversight: In FY 2000, the U.S. Government initiated audits on over 40 U.S.-funded Science Center projects. The Defense Contract Audit Agency (DCAA) conducted the audits on a contract basis for the U.S. Department of State. While the audit results were overwhelmingly positive, the audits also revealed a need for the Science Centers and U.S. auditors to adjust their systems of inquiry and reporting to take into account the uniqueness of Science Center project activities. For example, DCAA's audits reported timesheet inconsistencies on some ISTC projects which were actually the result of Russian scientists voluntarily contributing additional time to projects in excess of the time they had reported for compensation purposes. As a result, Science Center project timesheets will be adjusted so that these extra work hours are clearly reflected as a contribution to the project activities by participating NIS scientists. Other improvements under way include greater participation by U.S. technical experts in accompanying DCAA auditors, and a broadening of the assessment basis beyond financial considerations to include the evaluation of scientific work and the correlation between technical output and labor and funds expended.

U.S. DEPARTMENT OF STATE - REDIRECTION OF BIOTECHNICAL SCIENTISTS

In FY 2000, the U.S. Government continued to implement a State Department-led effort aimed at increasing transparency in former Soviet biological weapons (BW) facilities and redirecting their scientists to civilian commercial, agricultural, and public health issues. All activity under this project is subject to strict oversight by an interagency working group. Facilities and government officials in countries where the U.S. Government is pursuing redirection activities are explicitly informed that any cooperation with countries of proliferation concern or terrorist entities, or any behavior inconsistent with the Biological and Toxin Weapons Convention (BWC), would have an immediate and negative impact on U.S. Government assistance. The majority of U.S. Government-funded redirection activities are taking place under the auspices of the International Science and

Technology Center (ISTC), which has access to facilities, provides tax-exempt assistance directly to scientists, and can engage multilateral funding. Agencies involved in these efforts include the U.S. Departments of State, Energy (DOE), Defense (DoD), Agriculture (USDA) and Health and Human Services (HHS).

Several new projects at these former BW facilities were begun in FY 2000. The Department of Health and Human Services and the Department of Agriculture began several biotechnology projects at Russian and Kazakhstani institutes through the ISTC. The Department of Defense's CTR Program, DTRA, and DARPA continued to initiate new projects related to bio-defense research and improving physical security and accounting systems at institutes that hold dangerous pathogen collections. The Department of State, under an ISTC project funded scientists from the former Russian BW-related institute, VECTOR, to join Kazakhstani scientists on a joint epidemiological/public health study of the Caspian Sea Grey Seal, which exhibited an abnormally high death rate due to a mysterious epidemic. An anti-plague institute, previously unknown to the United States, was identified in Lviv, Ukraine through the STCU and will become a point of emphasis for future US-funded STCU projects. In addition, the Department of State and the DOE/IPP program are working together to engage and redirect former BW production facilities.

U.S. DEPARTMENT OF AGRICULTURE (USDA) – AGRICULTURAL RESEARCH SERVICE (ARS) COLLABORATIVE RESEARCH PROGRAM

The USDA/ARS Collaborative Research Program advances U.S. nonproliferation goals, basic and applied research in agriculture, and supports the transition of the New Independent States (NIS) to a market economy. This program helps reduce the risk of proliferation of weapons of mass destruction expertise, increases transparency at former Soviet biological weapons (BW) research sites, and supports the transition to civilian research activities of former Soviet weapons scientists by redirecting their biotechnology expertise to peaceful, agricultural research. The program also draws on USDA's capabilities in animal and plant pathogens and its network of ARS laboratories and related facilities to establish agricultural research collaboration with Russian and other NIS institutes strengthening NIS scientific communities and integrating NIS scientists into the international community. A key feature of the ARS program is substantial contact between ARS and NIS scientists to optimize collaboration at the scientist level and share results between the U.S. and NIS laboratories. The program also supports short, medium and long-term exchange visits of Russian and other NIS scientists with their ARS counterparts in the United States and exchange visits of ARS scientists to the NIS. USDA/ARS projects are reviewed through an interagency experts review process and implemented under the International Science and Technology Center (ISTC) in Moscow. All projects selected for collaboration are enhancements to the ARS national program agenda.

The ARS program is funded from the State Department FREEDOM Support Act NIS account at \$7 million in FY 2000 as part of the Biological Weapons Redirection program, a critical element of the Expanded Threat Reduction Initiative. The USDA/ARS Collaborative Research Program was initiated in late 1998 with \$550,000 in FREEDOM Support Act funds, and received an additional \$2 million in FY 1999 funds. Cumulative program funding since the program was initiated in FY 1998 totals \$9.5 million.

FY 2000 Program Highlights

In FY 2000, ARS teams traveled to Russia and Kazakhstan to visit research institutes, identify potential collaborations that would be of mutual benefit to ARS, Russia, and Kazakhstan and assess the research capabilities of each institute. Such site visits also help dispel misperceptions of the program. The teams focused on research institutes that are primarily dedicated to agriculturally important animal and plant diseases. As a result of these visits, ARS received over 80 new proposals from Russian and Kazakhstani institutes and scientists and continues to receive proposals on an ad hoc basis from contacts made during the visits. The visits have ranged from two to four weeks and are used to research and write grant proposals as well as establish personal working relationships between project collaborators. Through 2000, approved ARS projects in the NIS involve over 185 former BW scientists in 16 projects in areas of plant and animal health.

ARS is working to resolve implementation issues that have been identified over the past year. The large amount of time it takes for completed proposals to receive U.S. and host-government clearance and to finalize an ISTC project agreement is still a problem. Starting with the second phase of proposals for Russia and Kazakhstan, ARS instructed NIS scientists to register their proposals as soon as possible with the ISTC so that

U.S. and host-government clearances occur simultaneously, thus cutting down processing time. This has helped decrease the total time between the initial visit and funding. In addition, an animal care policy for the ARS-FSU research program needs to be established that will insure compliance with all relevant animal care guidelines. ARS is consulting with other U.S. Government agencies working in the FSU to resolve this issue.

Country Highlights

- **Kazakhstan:** In FY 2000, ARS devoted the majority of funds for Kazakhstan to the Scientific Research Agricultural Institute (SRAI) in Gvardeysky, strengthening its laboratories and making it a center of excellence for agricultural research. Collaboration with the SRAI presents a unique opportunity to use the extensive collection of infectious disease causing agents of agricultural importance. The three party agreement for the first and biggest of five SRAI projects, entitled "Biological and Genetic Characterization of Animal Pathogens," was signed in October 2000 with a project start date of November 1, 2000. This project will be in conjunction with the ARS Plum Island Animal Disease Center. Four additional projects are currently being developed, creating a substantial collaborative research program between ARS and the SRAI.
- In addition, ARS is also funding a project with the Institute of Microbiology and Virology, entitled "ISCOMs Delivery of Recombinant Coccidial (Eimeria) Antigens." The Institute director spent four weeks in Beltsville, Maryland in April 2000 developing this project with ARS counterparts. FY 2000 funds also will be used to strengthen collaboration with the Institute of Microbiology and Virology in Almaty and begin collaboration with the National Center on Biotechnology in Stepnogorsk.
- **Russia:** ARS has approved a total of 14 projects with five different Russian institutes for a total of approximately \$4.7 million. Two animal health projects with the State Research Center for Applied Microbiology (SRCAM) in Obolensk began in April and May 2000 and have completed their first quarter of research. ARS collaborators have been in close touch with their Russian counterparts, and the research is on target for both projects. Two animal health projects with VECTOR were set to begin October 1, 2000.
- The Administrator of ARS, participated in the ISTC Workshop Meeting in Obolensk in May 2000 and demonstrated the AGRICOLA software used to access information and documents housed at USDA's National Agricultural Library. ARS has provided selected Russian institutes with the software, hardware and training to access the ARS' National Agricultural Library databases. Dedicated computer workstations are being procured and installed specifically for this purpose. ARS authorized the ISTC to procure all the necessary hardware and software for five computer workstations at four Russian institutes. SRCAM received their computer workstation in May 2000, and the other three institutes should have them in place by December 2000.

Numbers of Participants/Recipient Organizations, Achievements

- **Number of U.S.-Approved Research Collaborations:** FY 2000 total: 11 (10 with Russia and one with Kazakhstan); cumulative total since program's inception: 16 (14 with Russia and two with Kazakhstan)
- **Number of Former BW Scientists Involved in Approved Projects:** FY 2000 total: 185 (165 from Russia and 20 from Kazakhstan); cumulative total since program's inception: 185
- **Number of NIS Scientists Visiting ARS Locations – Collaboration Visits:** FY 2000 total: 10 visits of 2-4 weeks for a total of 14 NIS scientists; cumulative total since program's inception: 14 visits for a total of 23 NIS scientists; **Project Development Visits:** FY 2000 total: 13 visits to various ARS locations; cumulative total since program's inception: 44 visits for a total of 53 scientists from 10 different institutes in Russia, Kazakhstan and Uzbekistan.

Upcoming Program Activities / Changes in FY 2001

ARS will move forward with ten new projects in Russia and nine new projects with Kazakhstan; continue site visits by ARS scientists to NIS institutes and visits by NIS scientists to ARS laboratories for funded research projects; develop new proposals for collaboration with institutes in both Russia and Kazakhstan; and install computer workstations and training at four Russian institutes for direct access to USDA National Agricultural

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) - BIOTECHNOLOGY ENGAGEMENT PROGRAM (BTEP)

The BTEP Program was established in March 1999 as part of the U.S. Government efforts to combat proliferation of weapons of mass-destruction and reduce risks of bioterrorism. In FY 2000, total funding allocated for the BTEP Program was \$10 million as part of the biological-weapons (BW) redirection efforts of the Department of State under the Expanded Threat Reduction Initiative. Cumulative program funding through 2000 is \$14.8 million. Through its BTEP Program, HHS is engaging former Soviet biologic weapons scientists in projects of collaborative research and redirecting their biotechnology expertise to peaceful research in areas of urgent public health needs in the NIS. In order to coordinate host government project approval and to pay NIS scientists and participants for their work, HHS has become a partner institution of the International Science and Technology Center (ISTC).

This program makes awards to joint projects that have both U.S. and NIS components. The U.S. participants include expert scientists from the Centers for Disease Control and Prevention (CDC), the National Institutes of Health (NIH), and the Food and Drug Administration (FDA). HHS's Office for Europe and the NIS within the Office of International and Refugee Health is responsible for administering the program and ensuring coordination with other HHS activities. The program specifically targets former BW facilities and scientists, but also tries to involve additional scientists and staff from the Ministry of Health, Academy of Sciences, and other non-BW related scientific institutes. This involvement of additional NIS participants is an effort to help integrate former BW scientists with their counterpart mainstream colleagues.

FY 2000 Program Highlights

In FY 2000, the program became fully operational and implemented the first group of projects.

Awards were made for the first five projects:

- In vitro replication of Hepatitis C Virus, with the Ivanovsky Institute of Virology and FDA
- Nutrient media for diagnostics of tuberculosis, with the State Research Center for Applied Microbiology (Obolensk) and CDC (involving 50 Russian scientists)
- Genetic analysis of multi-drug-resistant tuberculosis, with the State Research Center for Applied Microbiology (Obolensk) and CDC (involving 30 Russian scientists)
- Comparative mycobacterial genomics, with the State Research Center for Applied Microbiology (Obolensk), the Shemyakin/Ovchinnikov Institute of Bioorganic Chemistry and NIH (involving 35 Russian scientists)
- The prevalence of HCV markers and genotypes in the Asian part of Russia, with the State Research Center of Virology and Biotechnology (Vector) and CDC (involving 47 Russian scientists)

Three additional projects were approved by the BTEP Advisory Group, but are pending ISTC partner-project agreements.

Ten proposals are in the merit review process and an additional 15 are undergoing further project development. These proposals come from Russian and Georgian investigators and include very promising areas of research, such as the development of biochips for fast diagnostics of drug-resistant tuberculosis, studies of the epidemiology of tuberculosis and Hepatitis C in Georgia, and the development of vaccines for HIV/AIDS, tuberculosis and pertussis.

BTEP representatives lead "matchmaking" site visits of U.S. expert scientists to former biological weapons facilities in Russia, Georgia and other NIS to facilitate collaboration and proposal development.

Under the general auspices of the World Health Organization's (WHO) Advisory Committee on Variola Virus Research, the BTEP Program began project development for a program of research on smallpox (including studies of the Variola virus genome, studies of Variola virus pathogenesis, and a search for antiviral agents for orthopox viral infections) to be conducted at the State Center of Virology and Biotechnology (Vector). The smallpox work is to be put on an expedited review and implementation schedule in order to complete any live-virus work by the expiration of the WHO moratorium on virus destruction at the end of 2002.

Country Highlights

Russia: 15 Russian institutions are involved in BTEP projects, including the State Research Center of Virology and Biotechnology (Vector); State Research Center for Applied Microbiology (Obolensk); Ivanovsky Institute of Virology; Central Research Institute of Epidemiology; the Novosibirsk Institute of Tuberculosis and others.

Georgia: Six Georgian scientific institutions are involved in BTEP projects, including the Eliava Institute of Bacteriophage, Microbiology and Virology; National Center for Disease Control; National Center of TB and Lung Disease and AIDS and Clinical Immunology Research Center.

Kazakhstan: HHS is working on one project with Kazakhstani researchers from the Kazakhstani Institute for Research on Plague.

Plans for FY 2001

- Implementation of work on rapid diagnosis of multi-drug-resistant tuberculosis strains using microchip technology, as well as research involving Hepatitis C, HIV/AIDS, and West Nile encephalitis.
- Development of the concept for a Russian Field Epidemiology Training Program (FETP), based in Moscow, which is intended to better integrate future public health-related projects, provide training and experience to post-graduate scientists, both at former closed institutions (e.g. Vector and Obolensk) and to academic institutions, and develop appropriate reference laboratory skills needed for science-based epidemiology; and
- Implementation of the smallpox-related projects (studies of the Variola virus genome, studies of Variola virus pathogenesis, and a search for antiviral agents for orthopox viral infections) at Vector.

U.S. CIVILIAN RESEARCH AND DEVELOPMENT FOUNDATION (CRDF)

The CRDF funds U.S.-NIS collaboration on civilian basic and applied research conducted in the NIS in order to redirect efforts of former weapons scientists toward peaceful purposes and promote the development of market economies in the NIS. The CRDF is a non-governmental, non-profit foundation that was established in August 1995 by the National Science Foundation with an initial \$5 million grant under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program, matched by a \$5 million grant from the Soros Foundation. CRDF programs have also attracted funds from the NIS (more than \$3 million) and American industry (approximately \$4.5 million). In FY 1996, funding for much of the CRDF's activities shifted to the U.S. Department of State under the FREEDOM Support Act (FSA). From FY 1995 to FY 2000, the CRDF received more than \$51 million for assistance activities, of which FSA funding has accounted for \$23 million. The CRDF received approximately \$20 million in funding in FY 2000, including \$15 million in FSA funding, \$3 million from the National Institutes of Health (NIH) and some \$2 million in contracts and services from the Grant Assistance Program, U.S. Departments of Defense, Commerce and State, and the National Science Foundation (NSF).

Funds received by the CRDF are committed to its Cooperative Research Grants (CRG) competition, a "Next Steps to the Market" Program, Travel Grant Program (TGP), Regional Equipment Scientific Centers (RESC) Program and contract support programs. The CRDF has made a total of 574 awards for research collaboration, involving more than 4,200 NIS and 1,100 American scientists, engineers and students. Of the 574 CRG projects, 232 involve former defense researchers. In each case, these researchers including those at nuclear facilities at Sarov and Snezhinsk, agreed to perform only civilian work while receiving CRDF support.

During FY 2000, CRDF concluded agreements with Georgia, Kyrgyz Republic, Moldova, and Ukraine and CRDF now enjoys tax and duty exemptions in these countries as well as in Armenia, Azerbaijan, Russia and Uzbekistan. For all other NIS with which CRDF works, it secures exemptions on a case-by-case basis.

FY 2000 marked the completion of one major grants program and reopening of two others. The majority of the 46 CRDF grants made in 1997 under NIH, DOS and DoD funded Collaborations in Biomedical and Behavioral Sciences came to a close. In May 2000, CRDF and NIH jointly hosted an International Symposium in Moscow to highlight five of the most successful and promising U.S.-NIS scientist team presentations, including a team from

the former BW facility in Stepnogorsk, Kazakhstan and a team from the State Research Center for Applied Virology and Biotechnology (Vector) in Russia. These grants yielded numerous accomplishments, including hundreds of new joint publications, presentations at international conferences, new insights into prevention and treatment of disease, potential pharmaceutical applications, as well as development of research capacity and new professional linkages. Nearly 100% of these projects plan to continue collaboration. Over 50% of the NIS partners have applied for competitive grant support to other organizations (e.g., NSF, World AIDS Foundation, etc.). Five projects filed joint patents and others are working to submit “Next Steps to the Market” proposals.

Cooperative Grants Program: In FY 2000, CRDF also held the second round of its Cooperative Grants Program (CGP), a multidisciplinary competition for collaborative US-NIS research grants. Over 1,200 proposals were received and evaluated for technical merit by peer review panels. As a result, 199 projects were selected for grants, totaling nearly \$10 million. The average grant size is \$50,000 over an eighteen-month grant period, with at least 80% of the funds going toward expenses of the NIS team. These new grants include nearly 1,400 NIS scientists and engineers from Armenia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Nearly half of these projects include former defense scientists transitioning to civilian research.

Regional Equipment Scientific Centers (RESC): CRDF reopened the RESC program in Russia and Kazakhstan and offered the program for the first time to institutes in Azerbaijan, Georgia, Uzbekistan, and Moldova. The RESC program seeks to increase the capacity of selected research centers to support experimentalists in scientific and technological research that requires up-to-date and sophisticated equipment such as spectrometers, microscopes, x-ray diffractometers, and similar high-quality instrumentation. A condition of the RESC program is that other applied or industrial research facilities in the region must have equal access to the equipment at both centers.

“Next Steps to Market” Program: Program applicants—American industry and NIS scientists—compete for funds to support the next steps in taking their technology to the marketplace. In FY 2000, CRDF received 22 “Next Steps” proposals and made 9 awards involving former defense scientists. CRDF has achieved significant funding leverage, attracting over \$3 million from industrial participants for its \$1 million investment. In addition, CRDF has supported over 180 industry-oriented visits to the United States by NIS researchers seeking U.S. partners. These exchanges are expected to lead to Next Steps proposals, or to proposals to other programs such as the International Science and Technology Center (ISTC) or the Initiatives for Proliferation Prevention (IPP).

Country Highlights

Armenia: In FY 2000, CRDF made seven CGP Awards to Armenia, totaling \$350,000, including an assessment of health risks of environmental lead contamination. CRDF also awarded 16 Travel Grants to Armenian scientists to permit them to contact American companies and participate in applied scientific conferences in the U.S.; eight were with DOC funding under the Training Program in Technology Development and Marketing. CRDF continued to provide assistance to develop an indigenous capacity at the Armenian National Foundation of Science and Advanced Technologies (NFSAT) for funding science through merit-based competitions with support from USAID. Early in FY 2000, the original ten NFSAT/CRDF grants concluded. A joint survey of the grantees reflected an overwhelmingly positive evaluation of the program in terms of promotion of U.S-Armenian scientific contacts and support for the competitive funding process in Armenia. CRDF engaged NFSAT as its representative in Armenia for its Grant Assistance Program (GAP). This will enhance NFSAT's ability and reputation for grant funds management. As part of CRDF's efforts to support establishment of a NFSAT-like structure in Moldova, CRDF arranged for a NFSAT representative to meet with representatives of the Moldovan scientific community. In FY 2001, CRDF will embark on a second bilateral grants program with NFSAT, fund a NFSAT Travel Grants Program and an experimental equipment program to improve infrastructure in Armenia.

Azerbaijan: Three Azerbaijani projects are currently being revised and resubmitted to CRDF for consideration for the FY 2000 Cooperative Grants Program. CRDF has set aside \$150,000 in grant funds for this purpose, expects to announce the results for these projects by December 1, 2000. All proposed projects include former defense scientists. To help Azerbaijani scientists make contacts with potential U.S. commercial collaborators, CRDF made three awards under its Travel Grants Program. For FY 2001, CRDF is working with the Academy of Sciences of Azerbaijan in preparation for a formal announcement of the RESC competition there in FY 2001.

Georgia: CRDF awarded five new CGP awards in Georgia in FY 2000, totaling \$250,000. These included renewal of two previous CRDF projects conducting pioneering epidemiological studies of tuberculosis and HIV transmission in Georgia. CRDF also made seven awards to applied Georgian scientists under its Travel Grants Program. CRDF announced its first Georgian Next Steps to the Market Award in June, 2000, for a joint project involving 3M and the E. Eliava Institute of Bacteriophage, Microbiology and Virology to control potato bacterial diseases. For FY 2001, CRDF will initiate an institutional development program modeled on experience in Armenia and Moldova. CRDF is also working with the Department of Science and Technology in Georgia to finalize details of a RESC Program Announcement for a competition to be announced late this year.

Kazakhstan: CRDF provided five travel grants to Kazakhstani scientists in FY 2000 to permit them to attend trade shows and make commercial contacts in the United States. One award was issued under CRDF's Travel Grants Program while the other four were funded under the DOC Contract. The visit of one DOC-funded traveler, a former employee of the Stepnogorsk complex, resulted in a successful joint proposal to CRDF's CGP for development with the USDA of sub-unit vaccines based on Kazakhstani plants. Overall, CRDF awarded five CGP at \$231,650 with important applications for regional health and environmental problems, including renewal of a project on "Nutritional Status and Heavy Metal Uptake Among Children in Kazakhstan." The grants are to begin as soon as Kazakhstan provides appropriate assurances of tax and duty exemptions. One CRDF project in Kazakhstan, a study of arrhythmia that included former biological weapons scientists, ended in early 2000 and was featured at CRDF's Biomedical and Behavioral Sciences symposium, jointly hosted by the National Institutes of Health. The project participants plan to continue their collaborative work. CRDF also approved its first Kazakhstan Next Steps Award, a project to improve Kazakhstani seed potato production through biotechnology.

In April 2000, CRDF representatives and the U.S. Ambassador to Kazakhstan, Richard Jones, attended the opening of the second RESC site in Kazakhstan, a magnetron sputtering system, a gas chromatography system and a vacuum diffusion system at the Institute of Physics & Technology, Ministry of Science and Higher Education, Almaty. In June 2000, CRDF announced a new competition to award a third Kazakhstan RESC grant with a value of about \$315,000. Of the fourteen institutes which the CRDF and Ministry of Education and Science invited to participate in the competition, seven submitted proposals. CRDF has selected three of these for site visits by U.S. scientists in November 2000 and will announce a final decision in December 2000.

Kyrgyzstan: In FY 2000, CRDF made one new CGP award in seismology, totaling \$41,000. CRDF also awarded two travel grants to Kyrgyz scientists, one as a follow-up to the DOC regional commercialization training program. This travel grant to an expert in water settling tanks resulted in two commercial contracts with U.S. companies for further development and testing of his technology. In addition, CRDF received \$100,000 in FREEDOM Support Act funding to provide continued support for the International Geodynamics Research Center (IGRC), a facility that promotes international collaboration and fieldwork in geodynamics in the Tien Shan region. The NSF also agreed to provide an additional \$40,000 to CRDF for this project. Besides promoting international scientific collaboration in the geological sciences, the Center has an important non-proliferation role, as its network of seismic stations has the ability to record important seismic events anywhere in Asia.

Moldova: CRDF received five proposals from Moldova to its FY 2000 CGP competition. To date, two awards have been made, totaling \$100,000. Remaining proposals are still under review. To facilitate contacts with the U.S. commercial community, CRDF funded seven travel grants for Moldovan scientists, five under its Travel Grants Program and two under the DOC Training Program in Technology Development and Marketing. In September 2000, CRDF announced its first RESC competition in Moldova. The competition was open to all basic and applied scientific institutes in the country and by the November 1, 2000 deadline, CRDF had received ten proposals. CRDF plans a site visit to selected institutions early in 2001. CRDF also made significant progress in facilitating establishment of an independent science funding organization based on principles of competitive peer review. On July 31, 2000, the Moldovan Parliament ratified an Agreement with CRDF exempting CRDF funds and equipment from taxes and duties. Subsequently, the Moldovan Research and Development Association (MRDA) legally registered in Chisinau and was donated office and conference space by the State University of Moldova. CRDF entered into a cooperative funding agreement with MRDA to carry out several joint activities in FY 2001 including training for MRDA staff in program management at the NSF, a bilateral grants program, proposal writing seminar, commercialization seminar and joint workshops program. All activities will place a high priority on the engagement of former defense researchers.

Russia: In FY 2000, CRDF made 144 Cooperative Grants Program awards to Russia totaling \$7.2 million. CRDF also made 78 Travel Grants Program awards to Russian scientists and four Next Steps to the Market Awards. The latter included a project involving Dupont Agricultural Projects on development of insect receptors and a project with significant international health applications on therapies for combating multiple drug resistant tuberculosis. On June 29, 2000, CRDF announced its second Russian RESC competition (\$315,000). To support U.S. Department of State's focus on regional development, the competition was limited to Tomsk Oblast. The Russian Government is cost-sharing this program with the Ministry of Industry, Science and Technology, committing \$200,000 and the Tomsk Oblast Administration, committing an additional \$200,000 for the project. In response to an open call for proposals, CRDF received 18 letters of intent, and invited eight institutions to submit proposals. CRDF conducted a scientific review of the proposals, and selected five candidate institutes for site visits in November. A working-group from the Ministry, the Tomsk Oblast Administration, and CRDF will meet in late November to select a site for the award. In FY 2001, CRDF will initiate a pilot program to help permanently move WMD scientists from Russian Closed Cities by creating endowed chairs at Russian civilian universities.

Turkmenistan: CRDF has committed \$65,600 to a collaborative research project on imperiled sturgeon with Turkmenistan under its Cooperative Grants Program. It also funded participation in a DOC Commercialization seminar in Tashkent by a Turkmen scientist offering mathematical methods for improving natural gas prospecting, a major industry in Turkmenistan. Turkmenistan Government cost-share commitment is \$16,400.

Tajikistan: CRDF has committed \$38,500 to a collaborative research project with Tajikistan on Salt, Cold and Pathogen Resistant Triticeae Crops from Asia under its current Cooperative Grants Program. The Government of Tajikistan has committed to cost-sharing at \$4,205 on the project. CRDF has also awarded a travel grant to a Tajik applied scientist to meet with a potential commercial collaborator in the U.S.

Ukraine: In FY 2000, CRDF made 31 new CGP awards to Ukraine, totaling \$1.5 million. The Ukrainian Government made a contribution of \$200,000 toward expenses of the Ukrainian institutions in these projects. CRDF received \$225,000 from the NSF to support two special initiatives in Ukraine which supplement State Department funds for this program. In the first, CRDF will provide nearly \$60,000 to the CGP awards to allow promising Ukrainian scientists to train in the US partner laboratory. In the second initiative, CRDF funded grants for six scientific workshops in Ukraine, which will bring together U.S. and Ukrainian scientists and engineers to develop proposals to future CRDF Competitive Grants Program competitions, NSF programs, and other funding sources. Five of these workshops have taken place; the sixth is scheduled for spring 2001. Additionally, CRDF made travel grants to 45 Ukrainian scientists, 32 under its Travel Grants Program and 13 under the DOC Program. One of these awards led directly to a Next Steps to the Market Award in Ukraine in FY 2000: a joint project between General Electric and Elmet-Roll Company (Kiev) to develop an improved process for casting of power turbines. At GE's insistence, Elmet-Roll has patented their unique engineering technique, and GE's cost-share of \$1,233,752 is about ten times CRDF's investment in the project.

Four of the five initial Ukraine Small Business program awards completed projects. The program provided a mechanism for Ukrainian scientists, engineers and entrepreneurs to better understand commercial business practices and provided access for U.S. companies to Ukrainian scientific talent and technology. Participating U.S. companies matched the CRDF investment of \$250,000 with over \$100,000 of their funding. CRDF has applied experience from this pilot program to its Next Steps to the Market, Travel Grants and new Partner Search Program, which seeks to match FSU applied researchers with potential U.S. commercial partners.

Uzbekistan: In FY 2000, CRDF made four Cooperative Grants Program awards to Uzbekistan, totaling \$200,000, including a joint project with USDA to improve local irrigation techniques. In addition, CRDF held a special competition in conjunction with the State Committee for Science of Uzbekistan, in which former BW researchers traveled to the US to meet with prospective partners, and subsequently submitted collaborative R&D proposals. As a result, CRDF selected six projects with former BW researchers to receive grants, totaling \$300,000. One of these projects is with Dupont for joint development of an organically based pesticide. CRDF also made 14 Travel Grants to Uzbekistani scientists, seven from the DOC program. One of the DOC travelers previously engaged in the defense research sector, recently submitted a joint proposal with MB Industries to the Next Steps to the Market Program to develop a new welding process for alloy materials. In June, 2000, CRDF announced its first Uzbekistani RESC competition with an approximate value of \$315,000. Of the 15 institutes in the competition, ten institutes submitted proposals. CRDF selected four sites for site visits by U.S. scientists in November 2000, and will announce a final decision in December 2000.

NIS Regional Activities

In June 2000, the International Geodynamics Research Center (IGRC) in the Kyrgyz Republic held its first international conference, which was attended by nearly 80 scientists and engineers from around the world. New collaborative partnerships resulted and heightened interest was expressed by for-profit companies in doing work at the Center.

Also in June, 2000, CRDF made travel grants to three Azerbaijani seismic experts to permit them to participate in an ISTC-sponsored international conference in Tbilisi, Georgia on seismic monitoring and mitigation of seismic risk and hazard in the East Mediterranean region."

In FY 2001, with CRDF funding, the Armenian NFSAT plans to carry out two to three regional scientific workshops to bring scientists from Azerbaijan, Armenia and Georgia together to discuss scientific topics of regional interest. The participants will be strongly encouraged to submit any resulting joint proposals to CRDF for funding consideration.

U.S. DEPARTMENT OF STATE – EXPORT CONTROL AND RELATED BORDER SECURITY ASSISTANCE

The objective of Export Control and Related Border Security (EXBS) assistance is to help build more effective NIS export control systems including legislation, institutions, infrastructure and capabilities, to help prevent, deter and detect potential proliferation of weapons of mass destruction (WMD), dual-use weapons and weapons materials. With initial funding from the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program, the Departments of Commerce, Energy, State and Treasury (Customs Service) provided approximately \$39 million in export control assistance to Russia, Ukraine, Kazakhstan and Belarus through FY 1995. In FY 1996, funding responsibility for export control assistance shifted to the Department of State under the Nonproliferation and Disarmament Fund (NDF). In FY 1998, State Department funding for Global Export Control assistance became a separate budget line-item under the Nonproliferation, Anti-Terrorism, Demining and Related Activities (NADR) appropriation, with \$7 million for Export Control assistance funded in the NADR account in FY 1999 (\$1.8 million was reprogrammed ESF funds). For FY 2000, the Department of State significantly increased EXBS assistance in the NADR account and FREEDOM Support Act (FSA) Account as an element of the Expanded Threat Reduction Initiative. This assistance is closely coordinated within the Department of State. State Department also provides policy direction and coordinates EXBS assistance implemented through other U.S. Government agencies.

EXBS assistance is implemented through the U.S. Departments of Commerce, Energy, Defense, the U.S. Customs Service and the U.S. Coast Guard (USCG) in their respective areas of expertise. For example, USCG activities specifically support development of maritime capabilities in the areas of nonproliferation, export control, counter-narcotics, counter-smuggling and border security operations in a manner consistent with international law, global maritime standards and internationally recognized human rights.

In FY 2000, State Department funding for EXBS assistance to the NIS totaled \$27 million (Georgia Border Security and Law Enforcement Assistance is considered separately below). The State Department's Bureau of Nonproliferation provided approximately \$7 million for the NIS/EXBS program under the NADR appropriation and an estimated \$20 million was made available for EXBS from the FSA account. Increased funding enabled the State Department to expand both the geographic coverage and the scope of this assistance. State Department has focused EXBS assistance on helping weapons source countries and countries along potential smuggling routes to develop effective export control regimes including effective capabilities to control illicit weapons trafficking across their borders. State Department EXBS efforts focused specifically on: (1) establishing the necessary legal and regulatory basis for effective export controls; (2) improving licensing procedures and practices; (3) coordinating, training and equipping export enforcement agencies, including customs agents and border enforcement authorities; (4) developing and installing automated information systems for licensing and enforcement; and (5) fostering effective interaction between government and industry on export controls.

In FY 2000, the Department of State obligated \$27 million for the following programs and projects in the NIS:

- meetings, workshops, symposiums, forums and seminars, licensing procedures and practices workshops; legal and regulatory training and mobile training teams (\$2.885 million);
- executive exchanges (\$750,000)
- internal compliance programs including equipment purchases and training (\$2.41 million);
- detection and enforcement equipment (including x-ray vans) and related training (\$8.56 million)
- automation equipment and training (\$4.6 million); and
- technical assistance /in-country program advisors (\$2.585 million);
- program administration and support (\$4.30 million)
- program audits (\$400,000);

Many of these activities were carried out through multinational or regional efforts.

Country Highlights

Armenia: U.S. Government EXBS assistance has helped Armenia establish a high-level interagency export-control coordinating commission, reflecting Armenia's increasing interest and commitment to export controls. Through regional programs, including a joint nuclear export control workshop this past year, Armenian officials have established working relations with officials from Georgia and Azerbaijan, a promising example of increased cooperation among the Caucasus countries. Additional EXBS assistance projects are under development with Armenian officials.

Azerbaijan: Azerbaijan has a strong commitment to nonproliferation and the interception of transit shipments of concern. In FY 2000, the State Department, the U.S. Coast Guard and U.S. Customs initiated an integrated interagency maritime nonproliferation support program for Azerbaijan, which included nonproliferation maritime law enforcement training, port security training, and the provision of modest amounts of navigation equipment. This program works with the Azerbaijan Border Guards, and is coordinated with on-land EXBS assistance from other U.S. programs. With U.S. assistance, the Government of Azerbaijan prepared a draft export control law for submission to parliament. A maritime needs assessment was conducted in Azerbaijan in October 1999. USCG conducted 3 events with Azerbaijan in FY 2000. Azerbaijan Border Guard General Novruzov led a delegation on an orientation tour of U.S. Government facilities. The delegation visited USCG, USCS, and Border Patrol Field offices as well as meetings in Washington DC. Two mobile training teams were conducted in Baku: a Joint Port security/Port vulnerability course was conducted and a course for boarding officers was conducted in April 2000.

Georgia: The State Department provided specific legislative drafting assistance to facilitate Georgia's efforts for the passage of an export control law. After hosting the Central Asia and Caucasus Regional Forum in 1999, Georgia took a leadership role in drafting a regional transit agreement. Georgian officials also participated in Commerce Department legal/regulatory technical training workshops; U.S. assistance also helped enhance Georgia's licensing procedures. (See Georgia Border Security and Law Enforcement Program below).

Kazakhstan: Kazakhstan has been receiving U.S. export control assistance since the mid-1990s, first under the Defense Department's CTR Program, then through the Nonproliferation and Disarmament Fund (NDF) and later NADR- and FSA-funded support. Under the Central Asia Border Security Initiative, an interagency experts team visited Kazakhstan in August 2000 to review and assess EXBS requirements. EXBS assistance to Kazakhstan is focused on the country's nuclear industry as well as enhancing capabilities to prevent weapons transfers of proliferation concern. The U.S. Department of Energy conducted several nuclear export control seminars and with DOC assistance, Kazakhstan passed a new export control law in October and adopted the international standard EU control list.

Kyrgyzstan: EXBS assistance in Kyrgyzstan also expanded significantly under the Central Asia Border Security Initiative in FY 2000. Discussions with U.S. technical experts helped the Government of Kyrgyzstan pass a new export control law. Reflecting its increasing interest and commitment to export controls, Kyrgyzstan agreed to host the next Central Asia and Caucasus Regional Forum scheduled for April 2001. Requirements were assessed, and equipment and training is being provided to enhance Kyrgyzstan Border Guards and Customs capabilities to control Kyrgyzstan's borders. Priorities for initial activities were placed on providing

basic communications capabilities (hand-held radios), detection equipment, and mountaineering equipment for border patrol in Kyrgyzstan's mountainous border regions.

Moldova: In FY 2000, the U.S. Customs Service (USCS) provided equipment and conducted training programs for Moldovan border guards, investigators, and customs officials. In October 1999, a resident long-term USCS advisor was posted in Moldova for a two-to-three year term. Two additional long-term USCS advisors have been posted in Romania to handle enforcement components of U.S. nonproliferation assistance programs in south Central Europe, including Moldova. In addition, Moldova's export control law, drafted in FY 1999 with the assistance of Department of Commerce (DOC) representatives, was enacted in FY 2000.

Russia: In FY 2000, the Department of Commerce (DOC) and Department of Energy (DOE) provided training to Russian high-technology enterprises to facilitate implementation of export control internal compliance programs; to enhance compliance with Russian laws; exchange experience and knowledge in the area of export control; strengthen regulations and procedures for export control, including licensing procedures and practices; and facilitate development of enforcement mechanisms. U.S. engagement and assistance also played a key role in encouraging Russia to strengthen its export control law regulations. The U.S. Departments of State and Energy also provided to the Russian government radiation detection equipment and X-ray vans to help deter and interdict illicit transfers of sensitive materials and technology across Russian borders.

Tajikistan: U.S. Government export control assistance has facilitated the passage of an export control law with significant U.S. input. While programming capabilities in Tajikistan are limited due to the country's security situation, Tajik officials participated in regional and bilateral export control activities. Tajikistan also will be participating in the Central Asia Regional Communications Link, which will connect capitals in the region with reliable, secure communications capability in order to coordinate responses to border incidents.

Turkmenistan: An USCG excess 82-foot patrol boat was transferred to Turkmenistan under the DoD Excess Defense Articles (EDA) Program, facilitating Turkmenistan's maritime border security. The vessel is currently in Turkey awaiting final transit to Turkmenistan in Spring 2001. One Turkmen participant completed the USCG's IMET-funded International Maritime Officers' Course (IMOC) from October-December 1999.

Ukraine: Ukraine has taken advantage of many U.S. Government training courses and technical exchanges to develop a solid framework for a comprehensive export control system and has also begun to establish better means of interagency cooperation and communication. Much of U.S. Government assistance has focused on export control enforcement, which has contributed to the improvement of the day-to-day operational ability of the State Service for Export Controls (SSEC), the Border Guards, and the State Customs Committee (SCC). With U.S. Government assistance, SSEC and SCC licensing and communication capabilities have been enhanced through improved automation, as illustrated by Ukraine's development of a database designed to maintain and track nuclear-related licenses. The U.S. Department of Commerce has supported the development, customization, and testing of Internal Control Program (ICP) development software for Ukrainian industry and establishment of in-house controls for compliance with Ukraine's export control laws and regulations. February 2000, the USCG conducted Patrol Boat Operations seminar with Ukraine Border Guard utilizing CTR funding. The objectives were to familiarize Ukrainian Border Guard personnel with, and exchange information on patrol boat operations.

Uzbekistan: EXBS assistance in Uzbekistan also expanded significantly under the Central Asia Border Security Initiative in FY 2000. Equipment and training is being provided to enhance Uzbekistan's Border Guards and Customs capabilities to control Uzbekistan's borders. Priorities for the initial phase are on providing basic communications capabilities (hand-held radios), detection equipment and transportation for patrol. With U.S. Government assistance, Uzbekistan tightened both its export controls and its inspections of exports. Uzbekistan's Customs Service intercepted a shipment of radioactive material bound for Pakistan via Iran, using U.S. provided equipment. Uzbekistani officials are drafting export control legislation in close consultation with their U.S. counterparts and participated in Commerce Department legal/regulatory technical training and enforcement workshops. Also in FY 2000 in a complementary effort, the USCG conducted a CTR-funded Military to Military Contact assessment of Uzbekistan's ability to conduct maritime operations on the Amu Darya River on the border between Uzbekistan and Afghanistan. Follow-up to the assessment will include a joint USCG/U.S. Marine Corps riverine operations seminar in Uzbekistan, tentatively scheduled for April 2001.

U.S. DEPARTMENT OF STATE – GEORGIA BORDER SECURITY AND RELATED LAW ENFORCEMENT ASSISTANCE PROGRAM

In FY 1998, the U.S. Congress mandated the Georgia Border Security and Law Enforcement (BSLE) Assistance Program, based on concerns about Georgia's ability to control its borders and ports after withdrawal of Russian border guard forces. The Department of State provides FREEDOM Support Act funding and policy oversight for this program, while the U.S. Customs Service (USCS) implements it as the U.S. Executive Agent. The Department of State provided \$17 million annually for the Georgia BSLE Program in FY 1998 and FY 1999, another \$20 million in FY 2000, with an estimated additional \$18 million in FY 2001, for a cumulative total of \$72 million to support this important program. The State Department and USCS coordinate these efforts with other U.S. Government agencies, including the Departments of Defense, Commerce, Energy, the FBI and others to ensure that these assistance efforts are effective and complementary. The primary objectives of the BSLE program are as follows:

- Strengthen Georgian Border Guard (GBG) capabilities to control/manage the legitimate transit of goods and people on the northern border;
- Assist Georgia in gaining control of its seacoast, particularly the Port of Poti;
- Establish a transparent land border regime, focusing on the Russian, Azerbaijani and Armenian borders, then the Turkish border;
- Enhance Georgia's export control capabilities to prevent, deter, and detect potential weapons of mass destruction smuggling; including assistance in the legal licensing area;
- Improve the capabilities of the Georgian national law enforcement and legal authorities to investigate and prosecute internal and transnational criminal activity;
- Develop the law enforcement, legal and regulatory infrastructure in Georgia to help establish a society based on the rule of law and respect for individual human rights.

Initial Activities: The USCS stationed a three-person advisory team in Georgia in 1998 to work closely with the Georgia Border Guard (GBG), its Coast Guard branch, and the Georgian Customs Service. In addition to a Chief of Party, the team consists of a Customs Advisor and a Maritime Advisor. In accordance with Georgian priorities, the BSLE program initially focused on enhancing the GBG's capability to control the Black Sea coast by providing essential equipment, training and infrastructure enhancements. These included radiation pagers, night vision devices, basic law enforcement equipment, patrol vehicles, patrol boats, a tug boat, Mi-8 utility helicopters, the renovation of Coast Guard facilities at Poti, dredging of the Poti harbor, repairs of Coast Guard maritime patrol vessels and installation of a radar surveillance system at Supsa to help protect the maritime border and oil pipeline terminus there. U.S. Customs, with the assistance of the U.S. Coast Guard radar specialists, are now in the final stages of turning over the Supsa site to the GBG.

Since September 1999, the U.S. Coast Guard has provided a reservist training team of three technical specialists plus an interpreter for six-month deployments to help Georgian Coast Guard develop basic maritime skills, vessel maintenance capabilities and port security at Poti and Supsa. The USCG Long Term Training Team completed two basic seamanship training courses in 2000, and graduated a total of 53 students and initiated an English language instruction program. Additionally, the U.S. Coast Guard helped transfer a decommissioned 82-foot patrol boat (since renamed the "Dadiani") under the Excess Defense Articles program to Georgia in October 2000. The transfer also included training for the crew as well as logistical support. Under the BSLE program, the U.S. also had modern navigation and communications equipment installed on the vessel as well as on five other GBG vessels and a port control building in Poti during the summer of 2000 to facilitate maritime border operations. All systems will eventually be integrated into an overall phased development of a command, control and communications (C3) system for the GBG.

Support for Northern Border Operations: During the winter of 1999-2000, the U.S. and Georgia re-focused the BSLE program on bolstering the GBG's capabilities in northern Georgia to help deal with challenges resulting from the conflict in Chechnya. USCS worked with the GBG to identify a variety of essential equipment items and expedited their delivery. By late 2000, the U.S. Government had provided the following items:

- 258 cold weather sleeping bags;
- 1000 sets of winter and summer uniforms and boots; and 300 winter parkas;
- five general purpose tents and 10 arctic tents;
- 15 stoves/space heaters for the tents and four portable generators;
- 62 pairs of night-vision devices;

- two satellite phones for use at Shatili and Omalo;
- 10 hand-held GPS receivers;
- 20 hand-held metal detectors; and
- 11 utility patrol vehicles

Given increased activity of the GBG in northern Georgia, the U.S. also began to expedite the northern portion of the GBG's integrated C3 system. USCS developed a concept for rapidly deployable communications/monitoring stations to support GBG efforts to control the northern border. The first three of 15 planned shelters with associated radios (hand-held and fixed), antennas, sensors, generators and other support equipment were delivered to Tbilisi in May. They have since been installed at Lilo, Shatili and Omalo and continue to operate successfully. In fact, the equipment enabled the outpost at Shatili to report on groups of Chechens that illegally crossed the border in October 2000. The new helicopters were used to transport GBG units to the site of the crossing promptly to address the situation. Additional communications equipment is being installed at GBG Headquarters in Tbilisi to link the planned sites at the northern border.

Transport Capability: Additionally, in response to the GBG's request to secure additional air patrol assets to support GBG operations in northern Georgia, the U.S. procured two refurbished Mi-8 helicopters that were delivered to Georgia in early August 2000. To better support this expanding GBG air capability, the U.S. is pursuing a project to enhance the GBG's infrastructure at Tbilisi airport by renovating an aviation hangar for maintenance and repair in February 2001. The GBG also has requested additional vehicles to support border ground patrol operations in northern Georgia. USCS provided the funds to purchase in-country 11 utility vehicles and trucks needed for GBG activities.

Supsa Radar Facility: The initial installation of the radar system suffered from some technical difficulties that by August 2000 had been identified and corrected. Russian translations of technical manuals were provided and USCS arranged for a team of USCG radar operators to work at Supsa during November and December 2000 and January 2001. They monitored radar operations, identified and corrected any additional technical problems and assisted the GCG in developing standard operating procedures/checklists for the operators and system administrators. In FY 2000, GBSLE funds also supported construction of a barrier in October to halt the erosion of shoreline immediately in front of the facility.

Deployment of C3 Shelters: USCS delivered three C3 shelters with all associated gear to Tbilisi in early May. Despite GBG delay in preparing the sites for installation, the equipment has been successfully installed at Lilo, Shatili and Omalo. Efforts are now underway to purchase, ship and install the other 12 radio shelters for northern Georgia border sites.

Fuel: U.S. assistance has included support of fuel costs required for U.S. provided GBSLE training. The shortage of fuel, however, has been a persistent problem for the GBG. In an encouraging move, the Georgian Government provided \$500,000 of funds to purchase fuel in late FY 2000. This amount was supplemented by a donation of more than \$400,000 from the EU, allowing the GBG to meet its fuel needs for the foreseeable future.

Officer Training at the Ukrainian Border Guards Academy (UBGA): The GBG has 85 officer cadets in training in the UBGA and USCS, through the GBSLE program, helped establish arrangements to support a future class, ensuring that an officer corps equipped with proper leadership skills will be available to the GBG.

Portable Radar Units: A dozen surplus portable radar units (plus 11 non-functional units for spare parts) donated by the U.S. Coast Guard were shipped to Georgia in August. Of those, five units were donated to Azerbaijan for use on its Coast Guard vessels and training on use of the units was conducted in Tbilisi in August.

Georgian Customs Department: Assistance from the GBSLE to the Customs Department slowly increased in FY 2000. Frequent, sudden changes of senior Customs executives left the agency generally unresponsive to advisory proposals and recommendations. The new Customs Chairman Gachechiladze, appointed in August 2000, has made a promising start to reorganize the department and bring urgently needed reforms to an agency suffering from a widespread reputation for corruption. One of his first acts was to re-configure the Customs inspection area at Tbilisi Airport, an effort long advocated by the GBSLE Customs Advisory team and finally completed at Georgian expense. Customs officers are now wearing new uniforms and shoulder patches supplied by the GBSLE. New badges have since been designed and ordered. They will allow officers to be

identified by both the travelling and importing public. Finally, plans are now being considered to construct a new border facility at Red Bridge on the border with Azerbaijan.

U.S. DEPARTMENT OF STATE – NONPROLIFERATION AND DISARMAMENT FUND (NDF)

The Nonproliferation and Disarmament Fund (NDF) is a sharply focused fund to permit rapid response to unanticipated (or unusually difficult), high priority requirements/opportunities to halt the proliferation of nuclear, biological, and chemical weapons, their delivery systems, and related materials; destroy or neutralize existing weapons of mass destruction, their delivery systems, and related sensitive materials; and limit the spread of advanced conventional weapons and their delivery systems.

The NDF derives legal authority from Section 504 of the FREEDOM Support Act (FSA), enacted on October 24, 1992. Funds were first appropriated to the NDF under Title III of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, FY 1994, which was enacted on September 30, 1993. Appropriations in subsequent fiscal years have also been provided under the Foreign Operations, Export Financing and Related Programs Appropriations Act.

Project proposals are accepted from all U.S. Government offices and agencies that support nonproliferation and disarmament efforts. The Under Secretary of State for Arms Control and International Security Affairs oversees NDF activities, establishes funding priorities, and approves or disapproves all project proposals. The Assistant Secretary of State for Nonproliferation provides operational control of the Fund through the NDF staff and supervises the NDF Director and the NDF Comptroller.

In FY 2000, the NDF funded one project totaling \$2,800,000 for assistance to Kazakhstan. Activities highlighted below include ongoing assistance approved in previous fiscal years:

- Draining and processing of sodium coolant as part of the shutdown of the BN-350 Plutonium Fast Breeder Reactor in Kazakhstan to preclude reactor restart, and eliminate future production of weapons grade plutonium under NDF Project No. 146. This project provides critical interim funding to proceed with the necessary design tasks and long-term procurements for sodium draining and processing while capital base funding is being obtained. (\$2,800,000)
- Installation of a prototype Tracker automated licensing system for use in Kazakhstan is scheduled for January 2001. The Tracker system was approved for Kazakhstan in FY 1998 under NDF Project No. 118.
- Installation inspections of nuclear material detection equipment were conducted at Russian border posts at key transit points. This program was approved to survey and provide 9 Russian border posts with nuclear material detection equipment to combat nuclear smuggling in FY 1999 under NDF Project No. 123.
- Evaluations of x-ray detection van programs were conducted in Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, and Uzbekistan. These vans were approved under NDF Project No. 101 to assist the Customs Services of each of these countries to improve border enforcement capabilities in FY 1998.
- Installations of nuclear detection portal monitors were completed in Azerbaijan and Moldova. Installation of nuclear detection portal monitors in Ukraine is scheduled for December 2000. These nuclear detection portal monitors were approved under NDF Project No. 109 to assist border patrol officers in obtaining the necessary tools to detect and interdict nuclear smugglers in FY 1998.
- Discussions on the design and implementation of the non-destructive assay system are ongoing. The non-destructive assay system was approved to serve as a verification and monitoring element of an overall comprehensive nonproliferation program to support the disposition of Russia's surplus weapons plutonium under NDF Project No. 88 in FY 1999.

U.S. DEPARTMENT OF STATE – ANTI-TERRORISM ASSISTANCE (ATA) PROGRAM

The Foreign Assistance Act of 1961, as amended, serves as the legislative mandate for Anti-Terrorism Assistance (ATA). ATA assistance to selected governments focuses on three major objectives: (1) enhancing the antiterrorism skills of friendly countries by providing training and equipment to deter and counter the threats of terrorism; (2) strengthening the bilateral ties of the United States with friendly foreign governments by offering concrete assistance in areas of mutual concern; and (3) increasing respect for human rights by sharing with civilian authorities modern, humane, and effective antiterrorism techniques.

Once a policy determination is made by the State Department's Office of the Coordinator for Counterterrorism that ATA assistance should be provided for a particular country, domestic congressional and U.S. embassy mission contacts are initiated to determine if ATA assistance is feasible. Formal consultations are then conducted by a small Department-led team of experts to assess the country's civil police antiterrorism capabilities and to identify specific assistance needs. The ATA Program then provides training and management assistance to foreign security services and law enforcement personnel on such subjects as crisis management, dignitary protection, bomb detection, airport security, and border controls.

The ATA Program began in the NIS in 1994 with airport security training in Georgia. Since 1999, the program has expanded into Central Asia and the Caucasus. A major goal of this program is to assist governments in addressing the terrorist threats emanating from Afghanistan.

Country Highlights:

Georgia: Additional ATA training will begin in FY 2001.

Kazakhstan: ATA training program will begin in FY 2001.

Kyrgyzstan: ATA training program will begin in FY 2001.

Russia: The Bureau of Diplomatic Security and the Office of the Coordinator for Counterterrorism have been involved with Russia since FY 1995. In the past five years, training has been limited to a total of two Airport Security Management Courses—in FY 1995 and one in FY 2000. In FY 2000, an in-country airport security management course was provided to 24 officials. Since 1995, a total of 59 Russian airport security officials have been trained through the ATA Program at a cost of approximately \$541,000.

Ukraine: The ATA assistance program for Ukraine dates back to FY 1995 and has consisted of two airport security management courses. One in-country airport security management course was provided in FY 2000 for 24 officials. Since FY 1995, the ATA Program has trained 48 Ukrainian officials at a total cost of approximately \$324,000.

| Course | Dates | Participants | Obligations |
|-----------------------|---------------------|--------------|------------------|
| Airport Security | October 15-28, 1999 | 29 | \$166,000 |
| FY 2000 Total: | | 29 | \$166,000 |

Uzbekistan: The Bureau of Diplomatic Security and the Office of the Coordinator for Counterterrorism augmented the program established in May 1999 with four FY 2000 course offerings. A total of 77 officials from the Ministries of National Security and Internal Affairs attended the following training: Canine Explosive Detection Training and Dog Handler Consultation; Post-Blast Investigation; Officer Survival; Role of Police in Managing a Crisis; and Rural Border Patrol Operations. FY 1999 training entailed one course for 15 participants. Since its inception, the ATA Program for Uzbekistan has trained of 116 officials at a cost of approximately \$1.4 million.

| Course | Dates | Participants | Obligations |
|----------------------------|---------------|--------------|--------------------|
| Role of Police in Crisis | 10/4-10/15/99 | 24 | \$174,000 |
| K-9 Consultations/Training | 11/29-12/3/99 | 5 | \$20,000 |
| Post-Blast Investigation | 2/21-3/3/00 | 24 | \$222,000 |
| Officer Survival | 3/20-4/14/00 | 24 | \$419,000 |
| Rural Border Operations | 6/19-7/14/00 | 24 | \$530,000 |
| FY 2000 Total: | | 101 | \$1,365,000 |

U.S. DEPARTMENT OF STATE – MILITARY RELOCATION PROGRAM

The State Department initiated the Military Relocation Program in FY 2000 to facilitate the withdrawal of Russian forces, closure of Russian military bases and removal, disposal and/or destruction of ammunition, small arms, and equipment from Georgia and Moldova. In the past, Russia raised the issue of such costs as a significant obstacle to withdrawal. This problem was exacerbated by the 1998-99 continuing economic turmoil in Russia and development of the Military Relocation Program was a critical element of the multi-agency Expanded Threat Reduction Initiative to help address this issue. Military Relocation assistance activities enhance Georgia's and Moldova's sovereignty, help prevent proliferation of conventional weapons and promote stable, cooperative relations between Russia and Georgia, Moldova and other NIS.

Moldova: Russia has consistently reaffirmed its commitment to withdrawal of forces, equipment and ammunition from Moldova in accordance with the Conventional Armed Forces in Europe (CFE) Treaty, the CFE Final Act, and the Istanbul Summit Declaration adopted at the Organization for Security Cooperation in Europe (OSCE) Summit in Istanbul on November 19, 1999. Russia is committed specifically to withdraw and/ or destroy all Treaty Limited Equipment (TLE) from Moldova by the end of 2001 and to the complete withdrawal of Russian Forces from the territory of Moldova by the end of 2002. Russia has developed withdrawal schedules and prior to any assistance arrangements being put in place, actually withdrew four trainloads of equipment in November 1999 and December 2000 despite Transdnistrian opposition. Discussions continue between Russia and the OSCE on assistance arrangements to facilitate this effort.

The Department of State has notified Congress of proposed obligations of up to \$4 million in FY 2000 and prior-year FREEDOM Support Act funds for the Moldova Military Relocation program. Obligations to date have been for program development and minimal preparatory support costs. Withdrawal and destruction/ removal assistance has been proposed through the following mechanisms:

- direct U.S. support activities, including support by defense and other experts in program management, observation, verification and oversight; and
- multilaterally through the Organization for Security and Cooperation in Europe (OSCE) under the OSCE Voluntary Fund established for this purpose.

Assistance provided through the OSCE is expected to be on a reimbursable basis for previously-agreed costs of specific, previously-agreed activities that are directly related to the withdrawal from Moldova of Russian military forces and/or destruction/removal of equipment, small arms and ammunition by the deadlines set at Istanbul and whose successful completion has been effectively monitored and verified. Activities proposed to be funded include: costs for tonnage moved back to Russia by air or rail transport to areas outside of the CFE flank region; actual per-item costs for destruction or elimination; assistance to facilitate base closure and infrastructure elimination; other transport activities; and other technical assistance and support requirements. Foreign policy direction for the U.S. assistance program is being provided by the Department of State, in coordination with the Department of Defense, Office of the Secretary of Defense, and other agencies through an Interagency Working Group chaired by the Coordinator of U.S. Assistance to the NIS and the Special Envoy for CFE.

Georgia: Russian officials consistently have reaffirmed their commitment to withdraw Russian forces from Georgia in accordance with agreements reached during the November 1999 Istanbul Summit (Annex 14 of the Final Act of the Conference). Specifically, the Russians have committed to:

- reduce the levels of its Treaty-limited equipment (TLE) in Georgia to much lower specified levels, and to withdraw all TLE from three politically sensitive facilities by no later than 31 December 2000;

- disband and withdraw two of its bases in Georgia (Gudauta in separatist Abkhazia and Vaziani near the capital) by 1 July 2001; and
- Georgia and Russia agreed to complete negotiations regarding the status and duration of remaining Russian bases (Batumi and Akhalkalaki) during the year 2000.

In April 2000, Russia and Georgia began bilateral discussions on base closure and withdrawal schedules. Both the Georgians and Russians initiated bilateral discussions with the United States in May 2000 on how U.S. financial assistance might facilitate the withdrawal and destruction/disposal process.

Between August and December 2000, Russia fulfilled its commitment to reduce the amount of Russian CFE TLE in Georgia by December 31, 2000. In all, Russia withdrew 35 tanks, 313 armored combat vehicles (ACVs), and 27 artillery pieces, and destroyed 24 tanks, 90 ACVs and 2 artillery pieces, from its facilities at Vaziani/Tbilisi, as well from bases at Batumi and Akhalkalaki, fulfilling the first phase of the Georgia-Russia agreement reached at Istanbul. In concrete terms, this means over one-half of the Russian TLE that was on Georgian territory a year ago, at the time of the Istanbul Summit, is now withdrawn or destroyed. Sustained U.S. engagement, including through the work of the CFE Special Envoy and with the prospect of U.S. financial assistance, was critical in achieving this result.

A total of up to \$10 million in FY 2000 FREEDOM Support Act funds has been notified to Congress as proposed obligations to facilitate this process. U.S. assistance has been proposed to be used to reimburse the costs of activities in Georgia based on validated costs (such as costs for transport by rail or sea, per-item costs for destruction or elimination, and costs to facilitate base closure and infrastructure elimination) once Russia formally accepts a U.S. implementation proposal for reimbursement arrangements. While these arrangements are not yet in place, as an interim measure, the U.S. outlined steps the Russians could take to ensure that observation/documentation was developed which would allow eventual reimbursement once Implementation Arrangements were finalized. All equipment withdrawal and destruction activities to date (with the exception of the withdrawal of 76 ACVs from Georgia to Armenia) were observed by U.S.-led multinational teams as a prerequisite for potential U.S. reimbursement of documented, validated withdrawal/ destruction costs. The U.S. indicated to Russia, however, that no U.S. assistance could be used to support costs associated with withdrawal of military forces/equipment outside of Russia.

While Russian withdrawal progress is welcome, the key unresolved aspects of base closures at Gudauta and Vaziani and a possible end date for the remainder of the Russian presence at Batumi and Akhalkalaki suggest that a tough task lies ahead for Russia and Georgia in 2001. The United States will continue to play a role in this process through the Military Relocation Program.

The Defense Department's Defense Threat Reduction Agency (DTRA) is the designated U.S. executive agent implementing the Military Relocation program in Georgia. Foreign policy direction for the program is provided by the Department of State, in coordination with the Department of Defense, Office of the Secretary of Defense, and other agencies through an Interagency Working Group chaired by the Coordinator of U.S. Assistance to the NIS.

U.S. DEPARTMENT OF STATE – PEACEKEEPING OPERATIONS

Peacekeeping Operations (PKO) funds support the U.S. national interest in promoting human rights, democracy, and regional security and facilitating humanitarian response. The PKO account promotes increased involvement of regional organizations in conflict resolution, multilateral peace operations, and sanctions enforcement. The United States has a strong interest in enhancing the ability of other nations to lead or participate in voluntary peacekeeping and humanitarian operations through these organizations to reduce the burden on the United States. The U.S. Government contributed \$2.2 million to peacekeeping operations in the NIS in FY 2000. PKO funds also help leverage fair-share contributions to joint efforts where no formal cost-sharing mechanism is available.

FY 2000 PKO funds helped the Organization for Security and Cooperation in Europe (OSCE) carry out the following conflict-prevention and crisis-management missions in the NIS:

- **Armenia:** PKO funding went to training in the fields of media and public affairs.
- **Azerbaijan:** Efforts were made to develop cooperation with OSCE institutions and bodies.
- **Belarus:** PKO funding is targeted at fostering pluralistic structures by supporting seminars, workshops and training sessions with national and regional organs of government.
- **Georgia:** PKO funding was targeted at conflict resolution, prevention and monitoring of human rights.
- **Kazakhstan:** PKO funds provided for monitoring of borders, drug trafficking-related conflict, religious extremism and social tensions.
- **Kyrgyzstan:** PKO funds supported OSCE's efforts to foster domestic political dialogue through seminars in Kyrgyzstan.
- **Moldova:** Removal of foreign military troops and equipment from Moldova was the primary goal of FY 2000 PKO funding.
- **Russia:** In Chechnya, assistance contributed to OSCE efforts to promote human rights, fundamental freedoms and facilitation of delivery of humanitarian aid.
- **Tajikistan:** PKO-funded projects range from rehabilitation of local print/radio or TV media to organization of conferences, round tables and seminars on human rights and governance.
- **Turkmenistan and Uzbekistan:** PKO funds facilitated contacts and information exchange with OSCE institutions.
- **Ukraine:** FY 2000 PKO funding was primarily focused on support for developing the rule of law.

U.S. DEPARTMENT OF ENERGY (DOE) - NONPROLIFERATION PROGRAMS

DOE implements a number of cooperative security-related assistance programs with the NIS countries. These programs focus on a number of areas: securing nuclear materials; reducing stockpiles of nuclear material; accelerating the transition of facilities and workers from nuclear defense work to civilian purposes; and nuclear safety. The overarching goal of these programs is to reduce the threat of nuclear material and nuclear expertise falling into the wrong hands, especially given the lingering effects of the August 1998 Russian financial crisis. The focus of many of these programs has shifted since their inception, due to the changing environment in the NIS and taking into account lessons learned along the way.

DOE NUCLEAR MATERIALS PROTECTION, CONTROL AND ACCOUNTING (MPC&A) PROGRAM

Since 1993, the MPC&A program has worked to address the daunting challenge of securing the enormous stock (some 960 metric tons) of fissile material resulting from the former Soviet Union's half century of nuclear weapons and civilian nuclear power programs. This is sufficient material to make over 58,000 nuclear devices. The MPC&A program carries out its mission by securing material where it is currently located or by consolidating material to sites where enhanced security systems have already been installed. Rapid upgrades are completed first and include establishing controlled areas and limits on personnel access to nuclear material, implementing a "two-person" rule, creating measured material inventories, bricking up windows, installing locks, installing portal monitors, and improving alarm communications. Comprehensive upgrades are added after rapid upgrades and include interior and exterior detection systems, closed-circuit television monitoring and assessment systems, electronic access control systems, and central alarm stations.

From FY 1992 through FY 2000, the U.S. Government has provided a total of over \$722 million in funding for MPC&A programs in Russia and the NIS. From FY 1993 to FY 1995, MPC&A activities were managed and executed by DOE with a total of \$78.5 million in funding under the U.S. Defense Department's Cooperative Threat Reduction (CTR) Program. In addition, DOE directly initiated an \$18 million program prior to FY 1996 to support MPC&A activities and received \$15 million in FY 1996 CTR funds. DOE's MPC&A efforts have grown significantly over the past eight years. In FY 1996, the U.S. Congress provided DOE a direct appropriation of \$70 million for MPC&A activities, followed by \$112 million in FY 1997, \$137 million in FY 1998, \$142 million in FY 1999, and \$150 million in FY 2000.

Major Accomplishments in FY 2000

Key Milestones and Performance Measures: Security improvements are underway on some 750 metric tons of highly-enriched uranium (HEU) and plutonium. To ensure these upgrades are sustained, the MPC&A program has trained over 1,000 Russian MPC&A operators, begun a comprehensive assessment of Russian-based MPC&A equipment, and provided support to the development of a national nuclear material accounting system. Additionally, the program has increased security of material in transit by hardening over 60 trucks and 30 railcars. Furthermore, 850 kilograms of weapons grade HEU has been converted to low enriched uranium (LEU).

Expansion of DOE-Russian Navy Cooperation: In FY 2000, the area of most significant program expansion has been cooperation with the Russian Navy. It was impossible to envision that the secretive Russian Navy would provide the DOE under the MPC&A program with the extensive access it now has to Russian Naval sites. The Russian Navy has requested MPC&A assistance to install upgrades at 55 Russian Navy nuclear weapons and HEU fuel storage facilities. In 2000, the Russian Navy solidified its commitment to expand this cooperation through the signing of an Implementing Agreement. In 2000, DOE completed installation of all MPC&A equipment at Navy Site 34, Site 32, and refueling ships PM-74, and PM-12. DOE also completed training of 50 Russian Navy officers in basic and advanced MPC&A classes.

Sustainability: The MPC&A program is expanding last year's initiative to develop and implement a comprehensive program to ensure Russia's ability to operate and sustain effective security improvements when U.S. direct support is completed. This initiative ensures that the program installs upgrades which are appropriate for the level of attractiveness of the nuclear material being secured, that the upgrades are consistent and cost effective, and to the greatest extent possible, that the upgrades are inherently sustainable. To that end, the MPC&A program has established upgrades criteria and an independent technical review team.

MinAtom Weapons Complex

- Manufactured and certified by United States technical experts that 45 Portal Monitors and 50 hand-held radiation monitors met international standards. These will be installed at the enterprises of the Nuclear Weapons Complex.
- Completed Physical Protection (PP) upgrades at VNIITF Building 726, and Site 20 Central Alarm Station.
- At the Mayak Production Association, additional access delay blocks were fabricated and installation in the nuclear material storage buildings is planned as soon as additional building refurbishment is completed. There are 15 metric tons (MT) of nuclear material under protective blocks.

Civilian Complex and Consolidation

- Completed comprehensive MPC&A upgrades at the Novosibirsk Chemical Concentrates Plant (NCCP) newly constructed annex to the Central Storage Facility (CSF). This building contains in excess of 10MT of weapons-usable nuclear material and accounts for nearly 80% of the proliferation concern material at the site.
- At Dimitrovgrad, comprehensive MPC&A upgrades were installed and successfully passed acceptance testing at Building 160 which houses the BOR-60 reactor.
- In FY 2000, the Material Consolidation and Conversion (MCC) project has down-blended approximately 600 kg HEU, and the consolidation effort has closed 4 storage rooms, preventing unnecessary upgrades.

National MPC&A

- The Federal Information System became operational, managed by the MinAtom Situation and Crisis Center with 14 facilities currently under contract to report nuclear inventories.
- The MEPHI Graduate Program, Russian Methodological and Training Center and Interdepartmental Special

Training Center continued successful operations, training 950 staff and graduating 8 new MPC&A masters degree students.

- Concluded vendor evaluation studies, that identify qualified, sustainable Russian MPC&A equipment vendors.

Planned Major Events/Goals for FY 2001

Naval Complex

- Assess possible expansion of MPC&A upgrades to additional RF Navy sites with material of high proliferation concern.
- Complete low-tech physical protection upgrades at Kurchatov Institute facilities to increase protection of materials at their locations.

MinAtom Weapons Complex

- At the Mayak Production Association (MPA/Mayak), complete rapid physical protection upgrades at the RT-1 Plant HEU oxide and PuO₂ Interim Storage Vaults.
- Complete the Electrochemical Plant/Krasnoyarsk-45 accelerated fast track schedule which will have all major elements of the MPC&A upgrades installed by the end of FY 2001.
- Complete the Sverdlovsk-44/Urals Electrochemical Integrated Plant accelerated fast track schedule which will have all major elements of the MPC&A upgrades installed by the end of FY 2001.

Civilian Complex and Consolidation

- Complete Bochvar's site-wide baseline inventory, site-wide physical upgrades at Luch.
- Material Consolidation and Conversion project will convert approximately 1,000 kg of HEU.

National MPC&A Activities

- Establish a partial operational MinAtom Command Post to monitor rail and truck shipments.
- Establish a regional technical support and training center in the Urals region.
- Develop and implement cooperation with facility protective forces.

Setbacks and Obstacles Resolved or Requiring Resolution

Funding and Access Issues: The MPC&A program requires sufficient access to Russian nuclear sites to provide assurances to the President, Congress and the public that U.S. assistance provided is being used for its intended purpose and to ensure that security upgrades are installed, used, and maintained properly. Each year the MPC&A program has continued to obtain increased access to sensitive Russian facilities. Currently, the MPC&A program has more access than funds to address sites. However, there are still buildings at some of the MinAtom nuclear weapons design and production facilities to which the program does not currently have sufficient access. DOE is working closely with MinAtom to overcome this last obstacle in a mutually acceptable manner. Pilot projects are planned for FY 2001 which would provide the first steps towards the needed access. However, MPC&A will continue to not fund work at sites where DOE does not have sufficient access.

DOE EXPORT CONTROL ASSISTANCE / SECOND LINE OF DEFENSE (SLD) PROGRAM

DOE assistance to the NIS includes its Nuclear Export Control Engagement Program and the Second Line of Defense (SLD) Program. Since establishing its NIS Export Control Program in 1995, DOE has developed effective relationships with its NIS counterparts. DOE's strategy is to engage on the government-to-government, laboratory-to-laboratory, and multilateral levels among donor states. The program has assigned the highest priority to countries with the greatest potential as suppliers of sensitive equipment, materials, and technology: Russia, Ukraine, and Kazakhstan. The program, however, is also actively engaging those states of the NIS through which the transit of sensitive commodities poses a threat to international security.

In FY 2000, the Export Control Program spent \$4.08 million of DOE funding for these activities. Department of State's Nonproliferation and Disarmament Fund provided \$3.004 M in FY 1999 for the SLD Program. This funding is being utilized to procure radiation detection equipment for Russian customs sites. DOE Nuclear Export Control and SLD activities in the NIS are also being supported in FY 2000 through the Department of State Export Control and Related Border Security (EXBS) Program. DOE's traditional nuclear export control

programs encompass six objectives: (1) development and use of existing NIS expertise; (2) establishment or enhancement of a legal regulatory framework; (3) development of a licensing program; (4) enhancement of industry awareness; (5) promotion of the adoption of multilateral standards of conduct; and (6) strengthening NIS customs organizations' abilities to detect nuclear export-controlled items.

Second Line of Defense (SLD) Program: The SLD program for Russia is designed to combat the trafficking of illicit nuclear materials across border and control points. In FY 1998, DOE began to implement the SLD Program to help Russia strengthen its overall capability to prevent nuclear materials, equipment and technology from getting into the hands of would-be proliferators or terrorists. The SLD program strategy is focused on providing radiation detection equipment for Russian customs sites and border crossings; optimizing use of that equipment through site upgrades; and developing training programs and tools for Russian Customs Officials.

A protocol signed by DOE and the Russian Federation State Customs Committee in June 1998 marked the beginning of collaborative efforts. Since then Moscow's Sheremetyevo International Airport complex and the Caspian Sea port of Astrakhan have been equipped with radiation detection equipment. Installation of equipment was expanded to include six additional strategic sites in 2000. The seaport and airport in St. Petersburg were surveyed in June 2000, with an equipping plan for FY 2001. A mobile training van was developed to extend training to field personnel in June 2000. A new field officer training course in fissile and radioactive material detection, created jointly with Russian Customs, debuted in October 2000. This course will be given on a regular basis at the Russian Customs Training Academy. DOE and the Department of State jointly tested a Russian-built railroad monitor in early 2000 to determine sensitivity, minimal detectable mass, and false alarm rate. This was a landmark event in that no radiation detection standard exists for railroad monitors. Real special nuclear material sources were used during the test to ensure reliability of the data. The analysis of the test will determine whether this type of railroad monitor will be used in the program.

Russia/NIS Export Control Program Activities: The Russia/NIS Export Control program carried out more than twenty-five export control projects in eleven countries. Twelve conferences or workshops were held that trained nearly 450 scientists, government officials, legislators, and industry representatives from these countries. Another fourteen projects were initiated and/or completed in FY 2000, which contributed significantly to the development of cadres of experts at the government, laboratory, and industry levels. For example, in Kazakhstan, a computer network for reviewing nuclear license applications was co-developed by Los Alamos National Laboratory scientists and implemented at the Kazakhstan Atomic Energy Committee (KAEC) and the Institute of Atomic Energy (IAE). This system will allow government officials at the KAEC to engage the nuclear engineers and scientists at IAE when technical expertise is needed in order to properly review a nuclear license application. This type of cooperation exemplifies a primary goal of the DOE Russia/NIS Export Control program—to integrate the technical expertise that exists in these nuclear supplier states into the export control process.

In FY 2000, DOE also continued its relationship with multilateral partners to bring a more unified program of export control assistance to the NIS. Norway and Finland, for example, have long been partners in DOE's Export Control Program and, consequently, delivered presentations at several DOE sponsored workshops. Moreover, DOE continued its strong relationship with the International Atomic Energy Agency (IAEA) by sending a program representative to the Fourth Annual Cooperative Technical Support Program meeting in Vienna. Increased collaboration with the IAEA is planned in fiscal year 2001. Finally, DOE reached out to the domestic non-governmental community in FY 2000 by supporting international export control projects at the University of Georgia and the Monterey Institute of International Studies.

As the DOE Russia/NIS Export Control program matures, signs of program success are becoming more apparent. A great deal has been accomplished in development of technical experts to support the license review process in these countries. For example, while the first DOE-Ministry of Atomic Energy workshops in Russia relied heavily on U.S. speakers and presentations, expertise of Russian nuclear export control specialists has advanced to the point where recent workshops were organized entirely by the Russians with few specialized United States lectures. Additionally, DOE received data in FY 2000 from the Ministry of Atomic Energy, which proves the significance of the outreach workshops for nuclear industry. In 1997 and 1998, the MinAtom's Export Council only reviewed forty or so contracts involving MinAtom exporters. In 1999, MinAtom reviewed approximately 150 contracts. In the first six months of 2000, MinAtom had already reviewed over 200 contracts. MinAtom directly attributes the increase in these numbers to the DOE-MinAtom outreach workshops.

DOE WARHEAD AND FISSILE MATERIAL TRANSPARENCY PROGRAM

Since FY 1994, funding for transparency and irreversibility activities under DOE's Warhead and Fissile Material Transparency Program has totaled \$62 million. Under this program, the U.S. Government has signed more than 45 contracts for laboratory-to-laboratory warhead dismantlement transparency projects involving all three Russian nuclear weapons laboratories and all four Russian nuclear weapons dismantlement facilities. In addition to providing the U.S. Government with valuable insight regarding the Russian nuclear weapons dismantlement process, this program has employed over 1,000 Russian nuclear weapons scientists, thus contributing to nonproliferation of weapons expertise. In FY 2000, the Warhead and Fissile Material Transparency Program funded \$9.7 million in projects.

Highly Enriched Uranium (HEU) Purchase Transparency Program: This program is responsible for the negotiation and implementation of transparency measures under the HEU Purchase Agreement. The Office of Arms Control and Nonproliferation, Office of International Policy and Analysis (NN-42) is the policy lead for DOE, which participates in negotiations with the Russian Government. The Office of International Nuclear Safety implements negotiated transparency measures, including conducting monitoring visits to Russian nuclear facilities, and staffing permanent presence offices on site at the Russian facilities involved in the downblending and processing of HEU.

Lab-to-Lab Warhead Dismantlement Transparency Program: This effort is intended to provide greater understanding of the Russian dismantlement process, encourage advocates for transparency in Russia, and provide employment to Russian nuclear technical staff. The program is implemented through contracts signed between U.S. and Russian National Laboratories that are paid for by the U.S. labs, and deliverables are provided exclusively by the Russian national laboratories. Areas of work include radiation measurement technology, tags and seals, remote monitoring, and other topics related to transparency.

Mayak Transparency: DOE participates in the Mayak Transparency negotiations, and the related Processing and Packaging Implementing Agreement transparency discussions, through official representation as well as expert advice from the DOE National Laboratories. The purpose of these two fora is to negotiate transparency measures to make a weapons-origin determination on fissile material to be stored at the Mayak Fissile Material Storage Facility (FMSF), to ensure that the fissile material is stored safely and securely, and to ensure that it is not used in new nuclear weapons. In 2000, DOE, its National Lab personnel and DoD conducted a technical exhibition (the Fissile Material Transparency Technology demo) to demonstrate to a Russian delegation procedures to measure attributes characteristic of a nuclear weapon component without releasing sensitive or classified information.

START III Program: This program is intended to identify technical measures and technologies that might be used under a future warhead dismantlement regime to provide confidence that a party to an arms control treaty is in compliance with the given treaty. A joint DOE-DoD dry-run was held at Pantex in September 2000 to begin the process of preparing for reciprocal unclassified familiarization visits to U.S. and Russian warhead dismantlement facilities. Joint DOE-DoD technology development continued during 2000 to develop and demonstrate the suite of technologies available for use in a warhead dismantlement transparency regime, which could be used as part of a U.S. negotiating position for START III or a follow-on arms control agreement.

DOE INITIATIVES FOR PROLIFERATION PREVENTION (IPP)

The mission of the IPP Program is to provide meaningful, sustainable, non-weapons-related work for former Soviet weapons of mass destruction (WMD) scientists, engineers, and technicians in the NIS through commercially viable market opportunities. The IPP program provides seed funds for the identification and maturation of technology and facilitates interactions between U.S. industry and NIS institutes for developing industrial partnerships, joint ventures, and other mutually beneficial arrangements. Since 1994, the IPP program has funded projects involving more than 8,000 former Soviet weapons scientists at over 180 institutes. In FY 2000, the IPP program continued to emphasize commercialization by approving only new projects that have a clear commercial focus and an industrial partner identified. Including FY 2000 projects, the IPP program has allocated, over the life of the program, more than \$55.5 million to U.S. industry cost-shared projects. This amount has been leveraged by \$84 million of in-kind and "funds-in" contributions by U.S. industry. This reflects the strong endorsement by U.S. industry of the IPP Program. In FY 1994, IPP received \$35 million in

FREEDOM Support Act funding. From FY 1996 through FY 1999, IPP has been funded under the Energy and Water Development Appropriations Act. In FY 1996, IPP received \$10 million under that appropriation, plus an additional \$10 million from the U.S. Defense Department's CTR Program. Funded at \$30 million per year in FY 1997 and FY 1998 and \$22.5 million in FY 1999 and FY 2000, IPP has received total U.S. Government funding of nearly \$162.5 million through FY 2000.

The program continues to have participation of 10 National Laboratories and the Kansas City Plant. The participation of the National Laboratories provides critical oversight and accountability of the work being performed by the NIS institutes. Payment for work is made only after certification by the laboratory principal investigator that the work is contemporary and within the scope of the agreed upon work. The laboratories also provide technical direction, project management, intellectual property management assistance, and engagement of U.S. industry partners through the Cooperative Research and Development Agreement mechanism.

Highlights/Developments in FY 2000

Establishment of Tax-Free Payment Mechanism: the IPP program has implemented a "master contract" agreement with the Civilian Research and Development Foundation (CRDF) to ensure that IPP program funds are exempt from taxes and other duties. Through this arrangement, CRDF makes direct, tax-free payments on behalf of the IPP program in Russia. The ISTC may also be used as an alternate payment mechanism in Russia.

Restoration of Stalled Programs in Kazakhstan and Ukraine: IPP projects in Kazakhstan and Ukraine have been stalled due to taxation issues. The IPP program is in the process of establishing the use of the International Science and Technology Center (ISTC) as a payment mechanism in Kazakhstan. The IPP program is also using the Science and Technology Center Ukraine (STCU) as its payment mechanism in Ukraine. This process is expected to be completed and projects will resume in the first quarter of FY 01.

Increased Funds to the NIS: In FY 2000, 70 percent of IPP project funds went to the NIS.

Increased Commercial Emphasis: The IPP program funded 38 industry cost-shared projects in FY 2000. There was a 20 percent growth in Industry membership in the United States Industry Coalition, bringing the total to 97 companies and universities. On average, U.S. companies now contribute \$1.5 dollars for every \$1 the IPP program allocates.

Support for the Nuclear Cities Initiative (NCI): The IPP program provided seed money for NCI to establish a kidney-dialysis center at Avangard, a former serial-production facility in the nuclear city, Sarov. This initiative is a key element to the U.S.-Russian commitment to convert Avangard.

Conference on Problems of Biological and Ecological Safety: In May 2000, the IPP program sponsored a three day conference in Protvino, Russia, one hour outside of Moscow. The workshop was hosted by the State Research Center for Applied Microbiology, a former Soviet Biological Weapons (BW) research facility and one of the premier Russian facilities in the area of microbiology and biotechnology. The workshop brought together prominent scientists from all over the former Soviet Union and other experts, including some from industry in the United States and Western Europe, to discuss current and future basic and applied research regarding biological and ecological safety. Other sponsors of the workshop included, the ISTC, the U.S. Department of Health and Human Services, the Department of Defense Cooperative Threat Reduction Program (CTR), and the Russian Ministry of Sciences and Technologies. The IPP program also supported a CTR conference on biotechnology conversion and commercialization in Stepnogorsk, Kazakhstan, in July 2000. The IPP program made a presentation about its program and announced the approval of four new biological projects.

Engaging Former Soviet Biological Weapons (BW) and Chemical Weapons (CW) Facilities/Institutes: Under the direction of the National Security Council, the IPP program, along with other U.S. Government nonproliferation programs, continued to increase engagement with former Soviet BW production facilities and former CW institutes. In May 2000, an interagency team visited a former BW facility in Russia, and in December 2000, an interagency team visited three other BW facilities. In October 2000, a team visited seven former CW institutes.

Next Steps

Complete Implementation of ISTC/STCU Payment Mechanism: Agreements between the IPP program and the ISTC and STCU should be completed in the first quarter of FY 2001. This will allow the IPP program to resume its programs in both Kazakhstan and Ukraine, which have been stalled due to taxation issues.

DOE NUCLEAR CITIES INITIATIVE

The Nuclear Cities Initiative (NCI) is a nonproliferation program within the National Nuclear Security Administration of the U.S. Department of Energy (DOE). It operates under a government-to-government agreement signed by the United States and the Russian Federation on September 22, 1998. The vision of NCI is to enhance U.S. and global security by promoting economic opportunities and community development in order to support and accelerate the contraction of the Russian nuclear complex. Its program goals are to assist the Russian Federation in its announced intention of reducing the size of its nuclear weapons complex and to redirect the work of displaced nuclear weapons scientists, engineers and technicians in Russian nuclear cities to alternative, non-military scientific and commercial activities.

To achieve these goals NCI, in partnership with the Ministry of Atomic Energy of the Russian Federation (MinAtom) institute officials and municipal authorities, has developed strategies to promote an environment that attracts, supports, and sustains investment and economic growth. These strategies focus on job creation, economic diversification, and infrastructure development in the municipal areas of the nuclear cities. NCI is currently operating in Sarov, Snezhinsk, and Zheleznogorsk, cities that host the two Russian weapons design laboratories, a weapons assembly/disassembly facility, and a plutonium production enterprise. Expansion by NCI to Zarechnyy, a city that hosts the Production Association "Start", a Russian weapons assembly/disassembly facility, is possible in FY 2001.

Operations and Implementation: Now in its second full year of operation, NCI has moved from a planning to an implementation phase. Despite the challenges of continued economic problems and lack of infrastructure in Russia, as well as strict controls on access to the cities imposed by MinAtom, DOE has made significant progress in NCI in FY 2000. With limited funding—\$7.5 million in FY 2000—NCI is working effectively in its three focus cities: Sarov, Snezhinsk and Zheleznogorsk. Most notably, 500,000 square feet were carved out of the classified Avangard Electrochemical Plant in Sarov to create the Sarov Technopark at Avangard. This historic achievement embodies the mission of NCI. The Sarov Technopark at Avangard opens ten buildings and ten acres to foreign commercial development and cooperation, potentially housing, among other enterprises, a medical device manufacturing facility that, at full capacity, will employ hundreds of workers.

Infrastructure Development Yields Results: Despite understandable pressure from MinAtom to fund any and all job creation proposals, NCI set out a carefully focused path forward. The Sarov Technopark at Avangard and other FY 2000 successes are now coming to fruition because NCI has spent much of its first year building relationships and laying the infrastructure necessary to attract and establish longer term business opportunities. Strategic Plans were developed for the three focus cities in order to establish goals, costs, and timelines for workforce reduction and weapons facilities closure. The strategic planning efforts were led on the U.S. side by senior National Laboratory officials with the participation of all Russian constituents: MinAtom officials, MinAtom facilities, and local and regional governments.

FY 2000 Highlights

International Development Centers (IDCs) were opened in Zheleznogorsk and Snezhinsk in FY 2000, and already have proven to be agents for economic diversification in their communities. The IDCs provide a number of resources to residents and local businesses, including an English language and business library, computers with Internet access, and staff with expertise in project development, financing, and management. The IDCs plan to become self-sustaining by charging fees for these services. In fact, the Zheleznogorsk IDC has been successful in leveraging NCI funds to bring additional resources to the city. In FY 2000, it hosted proposal writing training for city residents that resulted in \$7 million in competitive funding from a Russian Government defense conversion fund.

An **Open Computing Center (OCC)** has been active in Sarov since October 1999 and has provided more than 100 jobs to former weapons scientists. With initial funding from the U.S. laboratories for contract research, OCCs provide a mechanism that allows Western businesses to engage former weapons scientists in computing and modeling complex systems. The OCCs were created with input from the U.S. Commerce Department and other U.S. Government Agencies and are in full compliance with the U.S. export licensing regime. A number of private companies, including Credit Suisse First Boston, Motorola, and Adapco, have placed contracts or expressed interest in working with the Sarov OCC. A second OCC is slated to be dedicated in Snezhinsk in November 2000.

Nonproliferation Centers have been established in Sarov and Snezhinsk. At start-up in 1998, NCI working groups had to overcome the lack of information on demographic, economic, and workforce capabilities. With co-funding from the U.S. non-governmental organization community, the Nonproliferation Centers in Sarov and Snezhinsk are producing high-quality reports on a quarterly basis. The Nonproliferation Centers also conduct specialized research for academic institutions and think tanks.

Telecommunications infrastructure upgrades have been accomplished in the three focus cities. Bandwidth improvements, access to satellite internet services, and cable expansions have been accomplished, and work is underway to develop self-supporting Internet Service Provider (ISP) businesses in the cities. A significantly enlarged bandwidth and better internet access has improved the infrastructure for business development, including the development of computing centers to attract off-shore software development work from Western firms for displaced Russian scientists.

The **Community Development Program**, with less than 5 percent of NCI funding, continues to make an important impact on the closed cities, working to help the municipal administrations create communities that attract investment and keep jobs. Under this component, NCI is co-sponsoring several exchanges between U.S. communities hosting National Laboratories and the Russian closed cities. NCI is also providing training in areas that are of the highest priority to the closed cities, such as project management, proposal writing, workforce development, human resource management, and English language training.

Leveraging Funding: NCI's strategy has been to lead, link, and leverage funding and talent from a variety of partners. NCI has reached out to a number of U.S. Government programs and non-governmental organizations with expertise in community building, including the U.S. Agency for International Development, the Department of State, the W. Alton Jones Foundation, the Soros Foundation, and others. In the past year, NCI also worked with the European Bank for Reconstruction and Development (EBRD) to bring a small business loan program to the nuclear cities, which fills the gap in available financing for start-up and expanding enterprises.

Increasing Resources through Partnerships: NCI continues to work with the International Science and Technology Center (ISTC) to increase ISTC's presence in the closed cities. NCI partners with other agencies (the Departments of State, Commerce, and Defense, U.S. AID, and others) that are also involved in nonproliferation efforts. On a multilateral level, NCI supports the efforts to form a European Nuclear Cities Initiative (ENCI) and remains in contact with other European organizations working in the cities, including the Technical Assistance to the Commonwealth of Independent States (TACIS) program of the European Commission.

Performance Metrics: Finally, NCI has established quantifiable performance metrics that demonstrate how its mission of increased national security is being achieved through the downsizing of the Russian nuclear weapons complex and sustained economic diversification in the closed cities. These metrics increase fiscal and performance accountability of project teams. Examples of performance metrics include defense facility closure (in number of buildings and/or square footage), businesses established or expanded, infrastructure upgraded or created, external financing and leveraged funds, jobs created, and percentage of project funds spent in Russia. Program milestones are tracked in a Management Information System, which program managers use to monitor progress.

DOE REDUCED ENRICHMENT FOR RESEARCH AND TEST REACTORS (RERTR)

In FY 2000, RERTR activities continued to support testing at the St. Petersburg Nuclear Physics Institute of low-enriched uranium (LEU) fuel elements that can be used for conversion of reactors in Uzbekistan, Hungary, Ukraine, and Vietnam. In addition, development of high-density fuels for Russian designed research reactors was initiated at the Bochvar Institute. Studies and analyses of converting a number of additional Russian-designed research reactors from operating with HEU fuels to LEU have continued. Fuel qualification tests were continued and neutronic feasibility studies started to assess the performance of LEU fuel for research reactors in Poland, Uzbekistan, and Russia.

DOE ARMS CONTROL AND NONPROLIFERATION PROGRAMS IN THE NIS

Sustaining Nuclear Material Control, Accountancy, and Physical Protection in the Non-Russian NIS

Beginning in 1994, the DOE established cooperative efforts with five of the non-Russian Soviet successor states (Ukraine, Kazakhstan, Belarus, Georgia, and Uzbekistan) to improve the culture and systems that provide for the control, accountancy, and physical protection of nuclear materials at 12 sites in those states. In FY 2000, DOE continued its efforts to sustain these international safeguards and security measures. DOE sponsored numerous training courses at the George Kuzmycz Training Center in Kiev. DOE provided equipment warranties for most of the physical protection systems and visited each site to assure that all U.S.-provided equipment was being properly maintained and used. DOE representatives coordinated their efforts with other donor nations participating in the IAEA's Cooperative Technical Support Program to the New Independent States.

Aktau BN-350 Fast Breeder Reactor Fuel Disposition Project

In FY 2000, DOE made continued progress in its efforts to place the spent fuel assemblies from the BN-350 nuclear power plant in Aktau, Kazakhstan, in safe and secure storage. These assemblies contain nearly three tons of ivory-grade plutonium. In FY 2000, the program focused on packaging the material. Workers at the BN-350 plant, with the technical support of a DOE contractor, placed assemblies into stainless steel containers, heated, evacuated, back-filled, and welded the containers, and then placed the containers in the spent fuel pool under IAEA safeguards. By the end of the fiscal year, packaging of nearly 2,800 assemblies was 95-percent complete. DOE also completed a joint study with Kazakhstani experts of potential sites for the long-term dry storage of this material. DOE funded this effort at approximately \$16 million in FY 2000.

DOE FISSILE MATERIALS DISPOSITION PROGRAM

In July 1998, the U.S. and Russian Governments signed an agreement on scientific and technical cooperation to govern joint U.S.-Russian activities in plutonium disposition. Since then, the U.S., through the Department of Energy, and Russia have conducted studies and pilot-scale tests and demonstrations of a host of technologies needed to dispose of surplus weapon-grade plutonium. This work will confirm the viability of certain technologies that might be used for disposition of surplus Russian plutonium.

In September 2000, Russian Prime Minister Kasyanov and U.S. Vice President Gore signed an agreement for disposing of 68 metric tons of weapon-grade plutonium, 34 metric tons in each country. Acceptable technologies include irradiating the surplus plutonium as mixed oxide (MOX) fuel in reactors or immobilizing it with high-level radioactive waste, rendering it suitable for geologic disposal. Implementation requires construction of new industrial-scale facilities to convert and fabricate this plutonium into fuel in both countries, and to immobilize a portion of the U.S. material. The agreement sets 2007 as the target date to begin operation of such facilities, with a minimum disposition goal of two metric tons per year and an obligation to seek to at least double that rate. The U.S. and Russia plutonium disposition programs are designed to proceed in a rough parallel. In addition, both the disposition processes and the end products will be subject to bilateral monitoring and the Agreement anticipates that International Atomic Energy Agency (IAEA) verification measures will be utilized as soon as each party concludes appropriate agreements with the IAEA. In addition to U.S. financial support, the Agreement recognizes that international financing and assistance will be necessary for the Russian Federation to fulfill the obligations summarized above.

Other G-8 countries have strongly endorsed and advanced this cooperation. The United States and Russian Federation have urged the G-8 leaders at the Okinawa summit to accelerate this cooperation by directing development of necessary multilateral arrangements and an international financing plan for assisting Russia's disposition program.

FY 2000 Program Highlights

Fabrication of MOX Fuel for Thermal Reactors: DOE is assisting Russia to (1) develop a MOX fuel fabrication process that is compatible with surplus weapons-grade plutonium; (2) test the resulting fuel; and (3) qualify it for use in a VVER-1000 water reactor. Final fabrication and use of the fuel is subject to approval by GosAtomNadzor, Russia's nuclear regulatory authority, which will license the use of MOX. During FY 2000, DOE assisted Russia in developing fuel fabrication processes, initiating the development of a fuel qualification plan to support licensing MOX fuel, and initiating design of facility upgrades to support test fuel fabrication.

Validating the Performance of MOX-Fueled Thermal Reactors: VVER-1000 reactors in Russia currently are fueled with uranium oxide fuel. Considerable work is required to ensure that they can be fueled with mixed plutonium and uranium oxide fuel. The first stage of this effort involves feasibility studies. This joint U.S.-Russian project is aimed at verifying and updating computer codes used to predict the behavior of MOX fuel in VVER-1000 reactors. Verification of codes for presentation to GosAtomNadzor for licensing approval are underway. Development of a licensing plan for VVER-1000 reactors (including transportation, storage, and other associated activities) with GosAtomNadzor is being initiated. RosEnergoAtom, the Russian utility that operates nuclear power reactors, is involved in the effort, as the ultimate user of the MOX fuel. During FY 2000, DOE assisted Russia in developing plant activities to irradiate MOX fuel at the Balakovo Nuclear Power Plant, designing an equilibrium 30 percent MOX core for the VVER-1000 reactor, and initiating preliminary design of a MOX fuel assembly.

Converting the Russian Fast Neutron Reactor to a Plutonium Burner: DOE is helping Russia assess the feasibility of converting Russia's BN-600 reactor, a fast-neutron reactor, into a net burner of plutonium. The BN-600 currently operates on a fuel cycle that consumes uranium and produces some plutonium. Preliminary estimates indicate that the reactor could be modified to burn MOX fuel, perhaps even utilizing a full MOX core. During FY 2000, DOE assisted Russia by initiating post-irradiation examination of previously irradiated BN-600 MOX fuel and completing the technical design of the BN-600 hybrid core pellet MOX subassemblies and reflector and shield subassemblies.

Plutonium Conversion Technology: The objective of this work is to design and build a facility for converting weapons-origin plutonium metal to an oxide form suitable for use in MOX fuel and for international inspection. The conversion facility will have an initial capacity of 2 metric tons per year of metal and be expandable as more reactors become available to use MOX fuel. During FY 2000, DOE worked with Russia to select conversion technology and a site for an industrial-scale conversion facility and complete Level 1 and 2 roadmaps for the conversion facility.

Immobilization: DOE has worked with Russia to develop an excess weapons-plutonium immobilization program. Engineering feasibility studies for immobilizing plutonium-containing materials at the Krasnoyarsk, Mayak and Dmitrovgrad sites are in progress. Research and development (R&D) contracts at the Bochvar Institute (Moscow), the Russian Scientific Research and Design Institute of Engineering Technology (St. Petersburg) the Khlopin Radium Institute (St. Petersburg), and the Research Institute for Atomic Reactors (Dmitrovgrad) are developing glass and ceramic technologies suitable for immobilizing plutonium-containing materials at Russian sites, including storage and eventual geologic disposal. During FY 2000, DOE worked with Russia to complete technical and engineering feasibility studies for plutonium sludge immobilization at Krasnoyarsk and initiate immobilization work at Mayak.

U.S.-Russian-Canadian Project to Burn Mixed Oxide Fuel in a Canadian Nuclear Reactor: The U.S. is working with Russia and Canada to examine the technical feasibility of burning MOX fuel made from surplus U.S. and Russian weapons plutonium in existing Canadian Deuterium Uranium reactors. The scope of the project involves fabrication, irradiation, and post-irradiation examination of a small number of MOX fuel rods. Los Alamos National Laboratory fabricated a limited quantity of fuel rods for use in the demonstration. Russia's Institute of Inorganic Materials fabricated similar MOX rods. The U.S. successfully shipped its fuel to Canada in

January 2000; Russian fuel arrived in Canada in September 2000. The test irradiations and post-irradiation examinations will be initiated in FY 2001 at the Chalk River reactor facility in Canada.

Gas Reactor Technology Development: DOE is working with Russian institutes and private industry to develop a gas turbine, modular helium reactor as an option to supplement Russia's existing reactor capacity to dispose of surplus plutonium. The funding which Congress has provided to date to initiate the design of gas reactor technology is intended to serve as "seed money" in efforts to gain financial commitments from other countries and the private sector for future funding of this effort. During FY 2000, DOE worked with Russia to commence preliminary design of the gas turbine reactor, define the preliminary Russian licensing process for the reactor, initiate a roadmap effort defining reactor development, design, licensing, and construction activities, and initiate a detailed cost and schedule development effort for the reactor.

Regulatory Infrastructure Support: DOE is providing technical support and funding to GosAtomNadzor (GAN, Russia's nuclear regulatory authority) for the identification, development, and implementation of the regulatory infrastructure required for licensing the design, construction, testing, and operation of new or modified nuclear facilities to be used for the disposition of surplus weapons plutonium. This work includes support for (1) documentation of the process for conducting licensing reviews and issuing new or revised licenses, (2) development of regulations and standards needed to license new or modified facilities, and (3) definition of the roles and support requirements of other agencies in Russia. During FY 2000, DOE worked with GAN to execute task orders for regulatory document outlines, road-mapping, and Parallel licensing, and to initiate work on the regulatory and licensing processes.

Cost Analysis and Economics: DOE is providing cost and economic analysis support to Russia to help develop a macro analysis of expected total costs for the Russian program. This work includes developing economic factors, costing assumptions, and guideposts for cost projections. During FY 2000, DOE worked with Russian counterparts to complete and issue the report *Preliminary Cost Assessment for the Disposition of Weapon-Grade Plutonium Withdrawn From Russia's Nuclear Military Program*.

Future Activities

Implementation of Bilateral Agreement on Plutonium Disposition: With the signature of the Bilateral Agreement on Plutonium Disposition, the U.S. work with Russia will focus on efforts to initiate design of industrial-scale plutonium conversion and MOX fuel fabrication facilities and modification of existing Russian reactors. The U.S. Congress appropriated \$200 million in FY 1999 to implement plutonium disposition in Russia subsequent to signature of a bilateral agreement. In addition, the U.S. has committed an additional \$205 million subject to annual Congressional appropriations, as part of the Expanded Threat Reduction Initiative. Since the Russian plutonium disposition program is expected to cost in excess of \$2 billion, the U.S. will work with the international community to obtain financing for the remainder of the program.

Russia has indicated it will construct a plutonium conversion facility at the Mayak Production Association in Ozersk, Russia. Preliminary design of the facility will begin in 2001, with construction scheduled to start in 2003. The facility is scheduled to begin operation in 2006 and will have an initial capacity that supports a disposition rate of two metric tons per year specified in the bilateral agreement. If reactor availability increases capacity to irradiate mixed oxide fuel, then the conversion facility would be expanded to support a disposition rate of greater than four metric tons per year.

Russia plans to build a mixed oxide fuel fabrication facility at either Mayak Production Association or at the Mining and Chemical Combine in Zheleznogorsk (the closed city formerly known as Krasnoyarsk-26). Preliminary design of the facility will begin in 2001, with construction scheduled to start in 2003. The facility is scheduled to begin operation in 2007 and will have an initial capacity that supports a disposition rate of two metric tons per year. If demand for mixed oxide fuel increases, capacity would be expanded to support a disposition rate of greater than four metric tons per year.

Russia will use two types of existing nuclear power plants to irradiate the mixed oxide fuel. Efforts will focus on implementing modifications to VVER-1000 thermal reactors (Balakovo and Kalinin Nuclear Power Plants) necessary to irradiate MOX fuel. Efforts will also focus on converting the BN-600 fast reactor at Beloyarsk from a plutonium "breeder" to a "burner" and making preparations to use mixed oxide fuel.

Scientific and Technical Cooperation: The U.S. Government will continue to work with Russia to develop and demonstrate plutonium disposition technologies which will enable Russia to accelerate efforts to dispose of their surplus plutonium. Key elements of this work include the following:

- Assisting Russia to design and build a demonstration facility for converting weapon-grade plutonium metal to an oxide form suitable for use in MOX fuel and for international inspection.
- Developing a MOX fuel fabrication process that would be compatible with surplus weapon-grade plutonium, testing the resulting fuel, and qualifying it for use in VVER-1000 reactors and the BN-600 reactor.
- Helping Russia assess the feasibility of converting Russia's BN-600 reactor, a fast-neutron reactor, into a net burner of plutonium.
- Working with Russian institutes and private industry to develop gas turbine, modular helium reactor technology as an option to supplement Russia's existing reactor capacity to dispose of surplus plutonium.
- Examining the technical feasibility of burning MOX fuel made from surplus U.S. and Russian weapons plutonium in a Canadian test reactor. Irradiating MOX fuel in Canadian nuclear reactors is one of several options being examined to expand Russia's capacity to dispose of surplus weapons plutonium.
- Assisting Russia in developing glass and ceramic technologies suitable for immobilizing plutonium-containing materials at Russian sites.

ENERGY AND ENVIRONMENTAL PROGRAMS

U.S. DEPARTMENT OF ENERGY (DOE) - NUCLEAR REACTOR SAFETY PROGRAM

DOE is working to improve the safety of Soviet-designed reactors through bilateral and multilateral cooperative activities in Russia, Ukraine, Armenia, and Kazakhstan. Activities include: strengthening the physical condition of the plants; enhancing safety-related practices; developing an indigenous nuclear safety infrastructure by working with International Nuclear Safety Centers to promote the open exchange of nuclear safety information and cooperation on safety analysis and nuclear power engineering; and facilitating closure of the highest risk plants. Activities are conducted in collaboration with personnel at nuclear power plants, scientific and technical institutes, and government agencies. In FY 2000, DOE's efforts significantly improved the safety of Soviet-designed reactors and the nuclear infrastructure, and supported the early closure of selected plants. Recent accomplishments are discussed below.

Armenia: A series of projects have been completed or are underway to improve the safety of the Armenian nuclear power plant. A safety parameter display system was installed to provide key safety parameters so that operators could control the plant in case of an accident. Training courses were developed, using internationally accepted standards, for control room operators, radiation protection and mechanical maintenance. Fire-resistant floor covering material and 140 new fire doors were installed to improve fire safety. Work continued on the construction of a seismic-resistant cooling system and the installation of more reliable steam isolation valves. A preliminary plant decommissioning plan was drafted.

Kazakhstan: The BN-350 breeder reactor in Aktau is in standby condition, and removal of fuel from the reactor has been suspended pending completion of a safety analysis. DOE is assisting with the irreversible shutdown of the reactor by providing technical assistance and equipment to decommission the reactor, and to place it in an irreversible, industrially and radiologically safe condition. Work continued on developing a decommissioning plan, conducting safety analyses, and managing reactor systems. Plans have been made to decontaminate and drain the sodium coolant, and additional funding is being sought for these tasks.

Russia: A series of projects have been completed or are in progress to improve safety of Russia's nuclear power plants. Safety parameter display systems were installed at three reactors. Five full-scope or analytical simulators were provided to nuclear plants for training control room operators. Formal classroom training is

being conducted at the Balakovo training center, with over 3,000 operators trained, using U.S. supplied methodology.

With support from U.S. experts, work continued on in-depth safety assessments for the Leningrad, Kola, and Novovoronezh plants. These assessments identify weaknesses of the plants, and are necessary for plant modifications and to obtain operating licenses from the regulatory authority. Initial results are available and are being used to improve safety.

The International Nuclear Safety Center sponsored a technical workshop on severe accident management in Obninsk and a series of technical projects, conducted at Centers in the U.S. and in Russia. The Centers coordinated further progress on a project to validate the application of U.S. computer codes for application to Russian reactor safety analysis.

Ukraine: With DOE support, Ukrainian specialists at the Chornobyl Center and Slavutych Laboratory worked to address technical and socioeconomic issues related to the closure of the Chornobyl plant. The U.S. and Ukrainian Governments continued collaboration on construction and funding to complete a heat plant at the Chornobyl site. The heat plant will supply needed replacement heat after the Chornobyl plant is shut down. Ukrainian President Kuchma indicated that the last operating reactor, unit 3, at Chornobyl nuclear power plant would close on December 15, 2000.

A number of projects have been undertaken or completed to improve the safety of Ukraine's remaining operating nuclear power plants. Safety parameter display systems have been installed at six reactors, enabling operators to control the plant if an accident occurs. Full-scope simulators or analytical simulators were built and are now operational at four nuclear power plants to train control room operators. Formal classroom training is also being conducted at the Khmelnytsky Training Center,; more than 3,000 operators have been trained using U.S. supplied methodology.

DOE provided equipment and technical support as work continued towards completing in-depth safety assessments at the Rivne, South Ukraine, Zaporizhzhya, and Khmelnytsky plants. These assessments identify weaknesses of the plants, and are needed to assess plant modifications and to obtain operating licenses from the regulatory authority.

Continued progress was made on the nuclear fuel qualification project including training for staff for the Ukraine Center for Reactor Core Design and assisting the Ukrainian regulator on licensing issues. The project develops Ukraine's ability to qualify nuclear fuel for its VVER-1000 reactors from an alternate vendor with a long-range goal of achieving a secure fuel supply. Presently, Russia is Ukraine's sole supplier of fuel. Problems were encountered on conducting a flow test, but this issue is being addressed by the project team.

With DOE support, Ukrainian specialists developed a nationwide plan for managing the spent fuel from the country's five NPPs. Ukraine will be able to save money now paid to Russia for transportation and storage of the fuel in Russia. Three concrete casks were constructed for the spent-fuel dry-cask storage system. The operating license is pending final approval.

U.S. NUCLEAR REGULATORY COMMISSION (NRC) – NUCLEAR SAFETY REGULATION PROGRAM

The NRC's efforts to strengthen the nuclear safety and regulatory authorities in the countries of the NIS where Soviet-designed reactors operate (Russia, Ukraine, Kazakhstan and Armenia) continued apace in FY 2000. Safety assistance activities focused on increasing the regulatory authorities' institutional capacity and stature, so as to ensure the operational safety of nuclear power reactors operating in their respective countries.

NRC regulatory assistance activities with the Nuclear Regulatory Department of the Ministry of the Environment and Natural Resources (NRD) of Ukraine and the Russian Federal Nuclear and Radiation Safety Authority (GAN) began in 1992. Since then, NRC has provided assistance to both organizations in such areas as licensing of nuclear power plants; developing a legislative basis for nuclear regulation and legal enforcement; fostering an emergency response capability; developing an analytical simulator; and establishing a regulatory training program and training center.

NRC regulatory assistance activities with the Armenian Nuclear Regulatory Authority (ANRA) and the Kazakhstani Atomic Energy Agency (KAEA) began in 1994. Since then, NRC has continued to provide training to ANRA personnel in such areas as fire protection, radiation embrittlement of metals, radioactive waste and spent fuel management, seismic issues and decommissioning of nuclear power plants. NRC has also supported ANRA in developing a safety analysis review capability. NRC has provided KAEA personnel training in inspection techniques for operating nuclear power and research reactors and licensing of nuclear power plants. NRC has also supported the KAEA in developing regulatory decommissioning-related requirements for use at the recently shutdown Soviet-designed sodium-cooled fast breeder reactor at Aktau.

Since FY 1992, NRC has received approximately \$36 million in funds from USAID to support nuclear safety assistance activities in the NIS, for the above-mentioned activities. During FY 2000, NRC provided training to around 50 Russian, Ukrainian, Kazakhstani and Armenian nuclear regulators, bringing the number of regulatory officials trained by NRC since 1992 to approximately 700.

U.S. ENVIRONMENTAL PROTECTION AGENCY (EPA)

As in previous years, most EPA activities in the NIS during FY 2000 were in Russia and Ukraine, with about a dozen joint projects in each.. In the last year, EPA has added projects in Central Asia and the Caucasus to its previous efforts to establish Regional Environment Centers in Almaty and Tbilisi. In all, EPA has about 30 projects under way in the NIS.

The environmental needs of the NIS are immense, and donor assistance for the environment is relatively small. EPA's approach in the NIS, therefore, continues to emphasize three primary objectives: (1) strengthening the management capacity of NIS environmental institutions responsible for generating and managing resources necessary for environmental protection; (2) improving environmental quality where possible, primarily through the use of low-cost, innovative environmental technologies, and (3) using demonstration projects at specific sites, with subsequent dissemination to other regions and incorporating project results into national policy.

The principal results achieved with NIS partners in FY 2000 include the following:

Russia

Nizhniy Tagil (Urals region): There has been continued improvement in the city's drinking water (e.g., reduced bacterial counts) as the city brings treatment facilities on line at a second drinking water reservoir, and a reduction of pollution at several sites in the city. EPA-provided filters have made drinking water safer in about 40 percent of the schools in this city of 425,000.

Moscow: EPA assisted in the continued development of a least-cost strategy for the control of mobile-source emissions from the city's more than 2 million vehicles. Current activities include accurate characterization of the city's air shed. EPA-developed technologies are being used to carry out real-time on-road measurements of vehicle emissions, test the impacts of different kinds of fuel additives, and evaluate the performance of catalytic converters.

Smolensk Oblast (Region): The city of Dorogobuzh has completed the installation of E-SO_x technology for control of air emissions of SO₂ and other acid gases at its district heating plant.. Testing and start-up are scheduled to begin in spring 2001, and NO_x emissions reductions are expected to be in the 70-75 percent range.

Murmansk: After completion of construction in FY99 of a facility for the treatment of low-level liquid radioactive waste resulting from the decommissioning of nuclear submarines, FY 2000 saw the completion of cold testing (without radioactive waste) and the near-completion of hot testing (with radioactive waste). The facility should be commissioned in early 2001. Similarly, cold testing and hot testing of the 40-tonne prototype cask for the storage and transportation of spent nuclear fuel on board decommissioned nuclear submarines are complete; and construction of the concrete storage pad (which holds the cask) is under way. The preliminary design and project development phase of the construction of an 80-tonne prototype cask for the storage and transportation of civilian-controlled spent nuclear fuel, (much of it damaged and currently stored on board an aging vessel anchored in Murmansk harbor) is 90 percent completed. Russian approval to begin the detailed design phase

will follow.

Elsewhere, EPA has fulfilled its \$1 million financial obligation in support of a World Bank project to phase out production of ozone-depleting substances (ODS) at all relevant facilities in Russia. The final project agreement between the World Bank and the Russian government was signed on October 25, 2000. Russia is the world's second-largest producer of ODS; when finished, the project will enable Russia fully to comply with the Montreal Protocol.

Regional greenhouse gas (GHG) emissions inventories have been completed in the Novgorod, Khakassia, Sakhalin, and Chelyabinsk regions to help Russia meet its obligations under the UN Framework Convention on Climate Change.

EPA contributed to the completion of a range of small projects designed to increase the transparency, objectivity, and economic relevance of environmental decision-making in Russia: a study of the environmental liability issues associated with privatization transactions; major enhancements to Sakhalin Oblast's (Region's) environmental monitoring capabilities; partnership between Alaskan Aleuts and their Russian counterparts in the Komander Islands, allowing both branches to participate in environmental discussions under the Arctic Council; intensive training and intercalibration for several Russian laboratories engaged in dioxin analyses (also an Arctic Council priority) aimed at forming a technical cadre for the study of other persistent organic pollutants in Russia; and an updated report on radioactive contamination in northwest Russia..

Ukraine

Kiev: Drawing on lessons learned from EPA's demonstration project related to the environmental impact of oil and gas exploration at the Pasichna field in Ivano-Frankivsk Oblast, documents are being drafted for incorporation into Ukrainian law. The demonstration emphasized early screening of projects, analyses of alternatives, and public participation in assessing impacts and making decisions.

Vynnytsa Oblast: There has been continued testing of reburn technology (using pulverized coal in a multi-fuel reburn system) installed at the 300 MW Boiler 6 of the Ladyzhin regional power plant. Expected results in FY 2001, after installation of additional equipment and operational adjustments, include a 50-60 percent reduction in NOx emissions, similar to the levels previously attained on the 300 MW Boiler 4 (using natural gas as a reburn fuel). Improvements in boiler efficiency and use of natural gas in a multi-fuel system create the potential for a reduction in GHG emissions of up to 154,000 tons per year.

Kiev: The Ukrainian Regional Environment Center (REC) was officially established and located in Kiev. An executive board was elected; the first board meetings (September and December), held; and subsequent to the board's approval of the REC work plan, REC's environmental program was initiated. The identification of a site for the permanent headquarters of the REC remains delayed.

Mariupol, Donetsk Oblast: Mariupol initiated a full-fledged community-based local environmental action project, based partly on an earlier EPA epidemiological study of environmental impacts on children's health and on prior EPA efforts to introduce a modern waste management system in the city. In the fall of 2000, citizens' committees were formed, with high-level support from the City and Oblast authorities, and the first public meetings were held to set help set the city's environmental priorities and incorporate citizen participation in the city's planning process.

Pervomaisk, Mykolaiv Oblast: At the request of the Ukrainian government, EPA (together with the Centers for Disease Control) completed a preliminary site assessment and epidemiological study of an environmental emergency zone declared in five villages close to a former missile base. Although no definitive cause for the more than 400 cases of illness was identified, the most likely scenario was deemed to be military-related pollution caused by the burning of plastic waste at or near the missile silos.

Kiev and Donetsk Oblasts: EPA completed a full GHG emissions inventory for all Ukrainian coal mines, published a handbook identifying the top 30 coal-mine methane (CMM) investment opportunities in Ukraine, and aided in the completion of business plans for the top 4 CMM investment opportunities in Ukraine.

Caucasus

In Tbilisi, Georgia, EPA undertook additional training on environmental impact assessment for the Caucasus region. The Caucasus Regional Environment Center (REC) was established as a legal entity located in Tbilisi, Georgia. During this period, the U.S.-Georgian bilateral agreement on the REC was signed, the REC's Board of Directors and International Advisory Council was established, and environmental programs under the REC were initiated.

Central Asia

Likewise, there was the official establishment of the Central Asian Regional Environment Center (CAREC), located in Almaty, Kazakhstan; the formation of the CAREC executive board; and the initiation of environmental programs under the CAREC. The U.S. will complete the negotiations of its bilateral agreement for the CAREC and will begin funding the CAREC upon the signature of this agreement.

As part of a U.S. Government effort to convert a biological weapons laboratory in Stepnogorsk to a civilian facility, EPA has initiated an environmental monitoring project (ISTC project K-338) that will help build the Stepnogorsk laboratory's capacity of carry out civilian work. EPA has provided training for Stepnogorsk scientists on sampling and inorganic analysis, is jointly developing standard operating procedures for the laboratory, and is reviewing equipment needs for the laboratory.

NIS Regional

In addition to the RECs, seven other NIS environmental centers that provide training, information, and technical assistance were established. Training courses offered at these centers, as well as other courses delivered by EPA, have trained more than 1,500 environmental specialists; as a result, the centers as a result have gained the expertise needed to provide advanced technical guidance on key projects.

EPA-sponsored projects since the mid-1990s have contributed to the reduction of GHG emissions throughout the NIS by more than 1 million tons. Most of these reductions have resulted from technology transfer in the power sector.

EPA projects in the NIS have been successful at individual project sites, where the immediate practical obstacles consisted of equipment certification, VAT and customs duties on imported goods and equipment, and liability and indemnification issues related to construction and technology transfer projects. More broadly, however, the principal difficulty continues to be that of moving beyond demonstration sites to exert an influence at the policy or systemic level over the whole of the NIS. In this sense, it is premature to speak of any systemic "breakthroughs" in NIS environmental performance, and the overall environmental situation in the NIS remains critical.

A continuing systemic problem is the weakness of the NIS environmental agencies, which are under-funded, understaffed, and lack the legal authorities needed to carry out their responsibilities. Of great concern is the abolition in 2000 of the Russian State Committee for Environmental Protection, the functions of which were transferred to the Ministry of Natural Resources. This move is likely to subordinate environmental protection to unrestrained resource development in Russia, with major consequences for the global environment.

In FY 2001, EPA will seek, where possible, to address this weakness by refocusing its efforts on institutional reform and capacity-building with its counterparts in the NIS. In FY 2001, the EPA program in the NIS will, therefore, build on successful projects, fill "gaps" in the environmental program undertaken by the U.S. Government so far, and endeavor to introduce more "systemic" or fundamental change in NIS environmental protection regimes. Project priorities will include: (1) environmental policy, including market-based mechanisms for environmental protection; (2) mobile-source pollution; (3) persistent bio-accumulative toxins; and (4) environmental finance.

U.S. DEPARTMENT OF THE INTERIOR – MINERALS MANAGEMENT SERVICE (MMS)

Caspian Partnership for Regulatory Cooperation (CPRC)

Since FY 1999, the Minerals Management Service (MMS) has been providing USAID-funded technical assistance to Kazakhstan, Turkmenistan and Georgia as they continue their efforts to implement legislative and regulatory reforms with the long-term goal of establishing transparent oil and gas regulatory institutions. The experience and expertise MMS is providing through technical assistance workshops, regulatory partnerships, and on-site shadow training are designed to help these countries develop and implement regulatory systems that incorporate contemporary international safety and environmental standards. Most assistance has been planned and performed in conjunction with other USAID funded contractors; namely, Hagler-Bailly, Inc. for the technical assistance work and the United States Energy Association (USEA) for regulatory partnership activities.

MMS has trained a cumulative total of 112 NIS energy-sector officials, including 27 from Kazakhstan, 28 from Turkmenistan and 57 from Georgia.

Kazakhstan

Regulatory Partnership Activities: In October 1999, MMS participated in USEA's Study Tour for Kazakhstani Regulators and Oil Spill Workshop. The MMS also presented a one-and-a-half-day session describing MMS's role and responsibilities for Oil Spill Contingency Planning, MMS's Inspection and Unannounced Drills Program, as well as presentations and discussions regarding Performance-Based Regulations, Rate Control Issues, and Environmental Assessment and Monitoring. USEA is now working with Kazakhstani regulators and the resource pool to develop future partnership activities. In late March and early April 2000, MMS participated as a federal regulatory partner in USEA's Caspian Environmental Partnership Initiative in Kokshetau, Kazakhstan. A three-day workshop discussed the role of environmental impact studies and assessments within the Kazakhstani and U.S. regulatory frameworks, as well as the differences and similarities between monitoring and enforcement concepts and responsibilities. The workshop was prefaced by a formal signing ceremony between USEA and its regulatory partners in both the U.S. and Kazakhstan. The agreement officially recognizes the formation of a working partnership to exchange ideas and information regarding environmental and conservation policies affecting the emerging oil and gas industry in Kazakhstan, as they evolve to a market-based economy.

Turkmenistan

Technical Assistance Workshops: In August 2000, a fourth technical assistance workshop was held in Turkmenbashi, Turkmenistan. The workshop addressed the importance of assessing environmental information and impacts to ensure operations are conducted in an environmentally sound and safe manner. Part of the workshop utilized a mock exploration plan by a fictional company with Turkmenistan's new regulations as the legal framework by which it was introduced. MMS Representatives acted in different roles from company executive, to environmental consulting firm, to the Government of Turkmenistan. The Turkmen audience was drawn from governmental ministries, state companies, international operators involved in Turkmenistan, and members of the environmental NGO community.

Regulatory Partnership Activities: In November 1999, MMS Gulf of Mexico Regional Staff hosted regulatory officials from Turkmenistan as part of the U.S. Energy Association's Caspian Environmental Partnership Program. The roundtable discussions with the Turkmen included: environmental impact analysis and monitoring; offshore plans, permits, applications, and inspections; and production and development permits and conservation issues.

On-Site Shadow Training: In July and August 2000, MMS Gulf of Mexico Regional Staff hosted two senior Turkmen offshore inspectors for training on the MMS inspection program. During the course of the training the two were provided an introduction to all facets of regional and district level operations. As part of this, the two Turkmen inspectors shadowed Houma and New Orleans District Inspectors on four separate trip offshore to inspect platforms.

Georgia

Technical Assistance Workshops: In November 1999, MMS presented a training session in Tbilisi, Georgia, on oil and gas regulatory bodies. Six representatives from MMS participated. This workshop was similar to the first technical assistance workshop in Turkmenistan, but was revised to incorporate the physical and geologic differences of Georgia. MMS worked closely with USAID contractor Hagler-Bailly in the regulatory reform efforts and we will continue to do so for the foreseeable future. The Georgian attendees at the workshop comprised the recently established State Agency for the Regulation of Oil and Gas Resources. In coordination with USAID Caucasus Mission and Hagler-Bailly, plans were made to return in six months to follow-up and offer assistance to the nascent Agency. In June 2000, one MMS official made a presentation at a U.S. Department of Energy workshop in Tbilisi, Georgia, on legal and legislative issues associated with implementing national and regional oil spill response systems. The workshop was attended by numerous senior officials from both the Georgian Government, as well as private and national oil and gas companies active in the region. MMS gave a presentation detailing the roles and responsibilities of MMS as well as other agencies within the U.S. during a spill emergency, and the way in which theoretical plans can be created and revised to meet the needs of an actual disaster.

Regulatory Partnership Activities: In June 2000, the MMS Pacific Regional Office in Camarillo, California, hosted a seven-member delegation of inspectors and policymakers from the Georgian State Agency for the Regulation of Oil and Gas Resources (SAROG). This activity was carried out under the auspices of USEA's Caspian Environmental Partnership Initiative with MMS as a federal regulatory partner. The three-day activity presented a primer of MMS' inspection program as it relates to both drilling and production on the U.S. Outer-Continental Shelf (OCS). As part of the activity, the delegation was taken offshore to shadow an MMS inspector on typical inspections of two offshore platforms.

Programs Planned for FY 2001

| ACTIVITY DESCRIPTION | APPROXIMATE DATE |
|--|------------------|
| Evaluating G&G Information in Preparation for Production Sharing Negotiations Almaty, Kazakhstan | December 2000 |
| Caspian Environmental Partnership Activity Atyrau, Kazakhstan | Late 2000 |
| Assist Regulatory Implementation to the State Agency Tbilisi, Georgia | Spring 2001 |
| Caspian Environmental Partnership Activity Tbilisi, Georgia | Summer 2001 |
| Caspian Environmental Partnership Activity TBD, Kazakhstan | Spring 2001 |
| Environmental Regulatory Management: Mock Development Plan Atyrau, Kazakhstan | Spring 2001 |
| MMS Tendering System: Simulated Lease Sale Astana, Kazakhstan | Summer 2001 |

U.S. DEPARTMENT OF THE INTERIOR – U.S. FISH AND WILDLIFE SERVICE

Cooperative Wildlife Conservation Efforts with Russia and Small Grants Assistance Program to Benefit Protected Natural Areas in Russia

Since 1992, the U.S. Fish and Wildlife Service (FWS) has been cooperating with Russia in the conservation of wildlife and wildlife habitat under the U.S.-Russian Agreement on Cooperation in the Field of Protection of the Environment and Natural Resources. Joint field work on marine mammal and migratory bird species has provided valuable data on population abundance and ecology that assist wildlife managers in both nations.

In FY 2000, FWS expanded its grants program to assist Russian federal nature reserves and national parks. A total of 27 nature reserves and two national parks received grants totaling \$142,300. The grants were used for

combating poaching, improving radio communications among staff, acquiring field gear, and conducting conservation education. In addition, nine grants totaling over \$184,000 were awarded to Russian organizations for Amur tiger conservation (anti-poaching patrols and environmental education) under the Rhinoceros and Tiger Conservation Act. In FY 2000, 24 FWS staff visited Russia to conduct cooperative field work and provide training. Forty-five Russian biologists visited the U.S. for training and data exchange on walrus, polar bears, Pacific salmon, and other species.

In FY 2001, FWS will award approximately twenty grants totaling \$110,000 to Russian federal nature reserves and national parks to assist in wildlife conservation efforts. FWS biologists and law enforcement personnel will continue a dialogue with Russian officials on Caspian sturgeon conservation and the impact of the legal and illegal caviar trade.

SOCIAL SECTOR AND HUMANITARIAN PROGRAMS

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) – U.S.-RUSSIA HEALTH COMMITTEE

The ninth meeting of the U.S.-Russia Health Committee was held on July 20, 2000 in Moscow, and was chaired by U.S. Secretary for Health and Human Services Donna E. Shalala and Russian Federation Minister of Health Yuri Shevchenko. The priority areas of the Health Committee continue to be Maternal and Child Health; the Control and Prevention of Infectious Diseases, especially tuberculosis and sexually transmitted infections (STIs) and HIV/AIDS; and Access to Quality Health Care.

In addition to the ninth meeting of the U.S.-Russia Health Committee, HHS conducted the following activities in FY 2000:

In the area of maternal and child health, current collaborative activities were focused on USAID's Women and Infants' Health Project (WIN), which were conducted in close cooperation with the Russian Ministry of Health, as well as regional health administrators and health-care providers. Accomplishments included the following:

- A refresher training seminar on reproductive health for 15 Russian trainers with a special focus on post-abortion care and sexually transmitted infection counseling;
- Training courses on exclusive breastfeeding counseling and baby-friendly hospitals; maximizing access to and quality of services; essential care of the newborn; and family planning and obstetrics/neonatal clinical updates. Training participants developed the first draft of breastfeeding protocols using quality assurance methodology.
- Two baseline surveys which study mother and child health indicators, risk factors, and access to information and services. Findings from both surveys will help to tailor training and demonstrate program impact.
- The distribution of 150,000 brochures on family planning, and the development of cue cards on breastfeeding, prenatal care, and STIs use by service providers.

In addition to the WIN project, the U.S.-Russia Health Committee also supported activities concerning Fetal Alcohol Syndrome (FAS), alcohol abuse and women of child-bearing age, and micronutrient malnutrition. Accomplishments in these topics included the following:

- The development of a series of collaborative research studies with Russian pediatricians and child psychology experts on FAS; the training of Russian pediatricians in the diagnosis of FAS; the establishment of a protocol for neuropsychological testing for FAS; the beginning of testing of children with prenatal exposure to alcohol by Russian psychologists; and the finalizing of plans for a prevalence study of FAS in Moscow.
- A survey of alcohol and women of child-bearing age in St. Petersburg, conducted in collaboration with the National Institute of Alcohol Abuse and Alcoholism (NIAAA) and Pavlov State Medical University. The analysis of the results should be published in FY 2001.

- A final conference on micronutrient malnutrition in February 2000 in Moscow, coordinated by UNICEF. The conference summarized activities already under way in different regions of Russia and planned future strategies for the prevention and elimination of micronutrient malnutrition.

HHS made the following progress in the area of control and prevention of infectious diseases, in HIV/AIDS and sexually transmitted infections (STIs):

- A series of surveys and research studies was conducted to develop HIV/AIDS and STI interventions targeted at high-risk groups. Data from the research was used to design messages and materials for the risk groups.
- In April 2000, a study was begun on congenital syphilis to describe the magnitude of the problem, and identify risk factors for inadequate identification and treatment of pregnant women with syphilis.

In the area of tuberculosis control, work continued in two pilot sites (Ivanovo and Orel) and began in a third (Vladimir). In addition, HHS conducted the following activities:

- Extensive on-site technical assistance, training, and laboratory support was provided in Ivanovo by CDC and the World Health Organization (WHO). A series of studies was undertaken to document the levels of and risk factors for multi-drug-resistant tuberculosis (MDR-TB), determine timing and reasons for interruption and default from treatment, and determine causes of patient and physician delay in treatment initiation. The results of these findings are being used to improve case management and ensure treatment completion.
- In Orel, performance of the TB project was notable, with an initial treatment success rate in excess of 80 percent. Both civilian and prison sectors were involved in the program, with smooth coordination of activities between the two.

To promote access to quality health care, HHS programs focused on evidence-based medicine, quality assurance, and primary health care issues, including the following:

- The Quality Assurance Project (QAP) employed evidence-based data to improve the systems, process and outcomes of care in a primary care setting adult hypertension (Tula) and newborn respiratory distress and toxemia (Tver). As a result of the success in the demonstration sites, the quality improvement projects will be expanded to include other conditions and other sites throughout the two oblasts. In addition, Quality Management courses were developed at the Moscow Medical Academy and Tver Medical Academy;
- In partnership with the American College of Physicians (ACP), information was provided to over 1,500 Russian physicians for the treatment of specific primary care diseases and conditions such as hypertension, cardiovascular disease, diabetes, and tuberculosis;
- In partnership with the National Center for Health Statistics (NCHS), vital health indicators analyzed by the Russian Public Health Research Institute will be standardized with the publication of data in joint publications, due January 2001;
- An Evidence Center in Primary Care Medicine was created at Moscow Medical Academy. The first evidence report on improving the monitoring of blood pressure in the primary care setting is expected by September 2001.
- A five-part substance abuse curriculum for primary care physicians was translated into Russian and put into the Russian cultural context. Two training sessions were held for physicians from Russia and the Newly Independent States in substance abuse prevention, one in Moscow, and one in Sarov. Materials on illegal drug prevention have been completed for teachers, parents, and children for grades 1-4 and are under review by the Ministry of Education; materials for grades 5-11 are near completion, and an outline for grades 5-11 is with the Ministry of Education for preliminary approval.

- Also in Tula and in collaboration with the Quality Assurance Project, a chronic disease management program for treatment of both hypertension and depression by primary care physicians was piloted. The project identified prevalence rates of depression in primary care practices in Russia of approximately thirty two percent. The Ministry of Health has approved recommendations that encourage a model of care for patients with depression in the polyclinic setting.
- A conference on disasters and mental health was held in June 2000 in St. Petersburg with the participation of psychologists, psychiatrists, rescuers and mass media representatives under the auspices of the U.S.-Russia Health Committee. The conference addressed the issues of mental health of disaster victims and rescuers and the role of various specialists in mental health disaster response.

U.S. DEPARTMENT OF AGRICULTURE (USDA) – FOOD ASSISTANCE PROGRAMS

In FY 2000, USDA provided almost \$333 million in humanitarian food aid and concessional loans to the NIS countries, consisting of approximately \$110 million in government-to-government food aid grants, \$84 million in concessional food aid loans, and over \$139 million in targeted direct feeding and food aid monetization programs implemented by U.S. private voluntary organizations (PVOs). In addition, USDA provided a total of \$50 million in export credit guarantees to the NIS countries under its export credit guarantee programs (GSM-102 and Supplier Credit Guarantee Program): \$5 million to Azerbaijan, \$10 million to Georgia, \$15 million to Kazakhstan and \$20 million to Uzbekistan. Country-specific highlights are provided below:

Armenia: In FY 2000, USDA allocated \$11.9 million for the provision of approximately 67,500 metric tons (MT) of food commodities to Armenia, drawing from USDA resources under the Food for Progress and Section 416(b) programs. The Armenian Technology Group (ATG) monetized 7,500 MT of wheat and used the proceeds to develop agricultural marketing and production organizations for seed crops. The Government of Armenia received 60,000 MT of wheat from a 416(b) program and used the proceeds from the sale of commodities to fund a number of agricultural projects.

Azerbaijan: In FY 2000, USDA allocated \$4.7 million for the provision of approximately 8,900 MT of food commodities to Azerbaijan through agreements with the U.S. PVOs, Adventist Development and Relief Agency (ADRA) and the International Rescue Committee (IRC). ADRA received 5,900 MT of vegetable oil, rice and beans under USDA's Food For Progress program. ADRA directly distributed a portion of these commodities through its feeding program and monetized the remainder, using the proceeds to support the further development of a technology transfer program targeted at Azerbaijan's agricultural sector. IRC received 3,000 MT of rice and non-fat dry milk under USDA's 416(b) program. Azerbaijan also received \$5 million in export credit guarantees under USDA's GSM-102 program.

Georgia: In FY 2000, USDA allocated \$10.7 million for the provision of over 43,000 MT of food commodities. The Government of Georgia received 35,000 MT of wheat under USDA's Section 416(b) program. USDA donated 3,080 MT of beans, flour, rice, and soybean oil to IOCC and 5,000 MT of wheat and sunflower oil to UMCOR under the Food for Progress program. UMCOR monetized its commodities to support its medical and credit programs in eastern Georgia. IOCC distributed its commodities to beneficiaries in southern and western Georgia. Georgia also received \$10 million in export credit guarantees under USDA's GSM-102 program.

Kazakhstan: In FY 2000, USDA allocated \$1.3 million for the provision of approximately 2,000 MT of food commodities to Kazakhstan. As part of the American Red Cross's Aral Sea Region Program, Kazakhstan received food aid under USDA's Food for Progress program for support of direct-feeding initiatives in the Aral Sea region. Kazakhstan received \$10 million in export credit guarantees under USDA's GSM-102 program and \$5 million of guarantees under the Supplier Credit Guarantee Program.

Kyrgyzstan: In FY 2000, USDA allocated \$14.7 million for the provision of approximately 60,000 MT of food commodities to Kyrgyzstan. Under USDA's 416(b) program, the 60,000 MT was provided through a government-to-government agreement.

Moldova: In FY 2000, USDA allocated \$8.2 million for the provision of approximately 20,000 MT of food commodities to Moldova under its Section 416(b) program. Use of these commodities was managed by the International Partnership for Human Development (IPHD). IPHD received 20,000 MT of enriched flour,

cornmeal, rice and vegetable oil, which it either monetized or distributed as part of health care, feeding and agro-environmental programs in southern Moldova.

Russia: In FY 2000, USDA provided approximately 1 million MT of food assistance to Russia, worth \$240 million. Of this amount, 300,000 MT of wheat was provided under a government-to-government donation agreement. The Russian Government distributed the wheat to needy people throughout Russia. USDA donated 20,000 MT of seeds to Russia under the Food for Progress program. The proceeds from the sales of these commodities were used to capitalize the Rural Credit and Cooperative Development Fund to support the cooperative credit system in Russia. The Vishnevskaya-Rostropovich Foundation received 33,000 MT of soybean meal through the Food for Progress program. The proceeds from this donation funded vaccination programs for children in Russia. Other private voluntary organizations received about 130,000 MT under USDA's Food for Progress programs. The eight PVOs consisted of International Orthodox Christian Charities (IOCC), Project Aid Siberia (PAS), the American Red Cross (ARC), the Global Jewish Assistance and Relief Network, Chamah, Feed the Children (FTC), the Global Jewish Assistance and Relief Network (GJARN), and the Action La Faim. All commodities received by PVOs were distributed directly to needy individuals and institutions. As part of its food aid package for Russia, USDA also made available more than \$74 million in P.L. 480, Title I funds to purchase U.S. corn, poultry, and soybean meal. Proceeds from the sales of these commodities were transferred to the Russian Pension Fund to allow the Russian Government to make overdue payments to pensioners. This P.L.-480 program shipment was carried over from the FY 1999 Government-to-Government Initiative.

Tajikistan: In FY 2000, USDA allocated \$28.6 million for the provision of approximately 49,525 MT of food commodities to Tajikistan, including 27,290 MT under its Section 416(b) program. U.S. PVOs operating in Tajikistan managed the use 22,235 MT of Food For Progress commodities. Mercy Corps International (MCI) distributed 4,000 MT of wheat flour and monetized 8,000 MT to establish a farm credit program. MCI distributed 2,000 MT of vegetable oil to vulnerable groups and participants in food-for-work programs. In addition, the Aga Khan Foundation directly distributed some 6,950 MT of corn-soy blend (CSB), wheat flour, vegetable oil, and dry whole milk. Rounding out the direct distribution efforts were Save the Children, which distributed 15,000 MT of commodities (12,140 of wheat flour, 1,410 MT of non-fat dry milk and 1,450 MT vegetable oil).

Turkmenistan: In FY 2000, USDA allocated \$1.3 million for the provision of approximately 2,000 MT of food commodities to Turkmenistan. As part of the American Red Cross's Aral Sea Region Program, Turkmenistan received food aid under USDA's Food for Progress program for support of direct-feeding initiatives in the Aral Sea region. The beneficiaries of this assistance included 18,000 isolated elderly, orphans, invalids and families with special needs in the Tasauz Region.

Uzbekistan: In FY 2000, USDA allocated \$11.4 million for the provision of food commodities to Uzbekistan, including a \$10 million under USDA's P.L. 480, Title I program. The Government of Uzbekistan purchased and imported 38,000 MT of U.S. durum wheat. In addition, USDA provided \$20 million to Uzbekistan under the GSM-102 export credit guarantee program. Uzbekistan imported 50,000 MT of U.S. soybeans worth \$17 million. As part of the American Red Cross's (ARC) Aral Sea Regional Program, USDA provided over \$750,000 in commodities under its Food for Progress program, which was complemented by the ARC's direct distribution of 3,043 MT of commodities valued at \$1.4 million.

U.S. DEPARTMENT OF STATE – BUREAU OF POPULATION, REFUGEES, AND MIGRATION

The Bureau of Population, Refugees, and Migration (PRM) has primary responsibility for formulating U.S. policy on population, refugees, and migration, and for administering U.S. refugee assistance and admissions programs. In FY 2000, PRM provided more than \$37 million in earmarked refugee assistance funds to the NIS countries and the Baltics. This includes \$16.3 million to the United Nations High Commissioner for Refugees (UNHCR), \$9.4 million to the International Committee for the Red Cross (ICRC), \$7.4 million to other international organizations, and \$4.1 million to nongovernmental organizations (NGOs). Regional and country-specific highlights are provided below:

In FY 2000, PRM earmarked a total of \$9,589,980 to UNHCR for its programs in the NIS, including \$500,000 for its CIS NGO fund. PRM also earmarked \$4,050,261 for ICRC's programs in the NIS. In addition PRM contributed \$2,000,000 to the International Organization for Migration (IOM) for its follow-up activities for the CIS

Migration Conference. Those funds were used to support IOM's capacity building and migration management programs in Armenia, Azerbaijan, Georgia, Kyrgyzstan, Turkmenistan and Ukraine, as well as to support IOM's NGO capacity building activities, the Bishkek Migration Center in Kyrgyzstan, IOM's Technical Cooperation Center in Vienna, and for related administrative overhead. PRM also gave \$1,000,000 to the International Federation of Red Cross and Red Crescent Societies for its CIS Population Movement Program and capacity building of national societies.

South Caucasus: In FY 2000, PRM gave \$15,000 to the Office for Security and Cooperation in Europe (OSCE)/Office for Democratic Institutions and Human Rights (ODIHR), in collaboration with Brookings Institute, to organize a three-day workshop on internal displacement in the region in spring 2000.

Russia (North Caucasus/Chechnya): In FY 2000, PRM contributed more than \$15 million to international organizations for their activities assisting IDPs in the North Caucasus. In response to the UN Consolidated Inter-Agency Appeal for the North Caucasus, PRM earmarked \$6,180,000 to UNHCR, \$1,238,000 to UNICEF, \$870,020 to the World Health Organization (WHO), \$800,000 to the World Food Program (WFP), and \$477,000 to the Office of the Coordinator for Humanitarian Affairs (OCHA). These funds were used for assistance to internally displaced persons (IDPs) in Chechnya, Ingushetiya, and Dagestan in the following sectors: food aid, shelter and relief, health and nutrition, psychosocial support, water and sanitation, emergency education, mine awareness, protection, coordination, and security. PRM contributed more than 25% of the total amount appealed for by the UN for the North Caucasus crisis. PRM also contributed \$5,440,000 to ICRC for its activities in response to the humanitarian crisis related to the conflict in Chechnya.

Armenia: In FY 2000, PRM earmarked \$542,825 to NGO projects. \$292,348 went to Catholic Relief Services for its parent council program in schools. \$250,477 went to the United Methodist Committee on Relief for a micro-credit program for vulnerable refugee women.

Azerbaijan: In FY 2000, PRM earmarked \$1,588,430 to NGO projects. \$388,769 went to Action Against Hunger (ACH) for its community based agricultural project. \$400,000 went to CARE International for their community development program. \$399,665 went to International Medical Corps for its reproductive health proposal. \$399,996 went to the United Methodist Committee on Relief for assistance to Meskhetian Turks in Azerbaijan.

Georgia: In FY 2000, PRM earmarked \$565,000 for UNHCR's activities in support of Chechen refugees in the Pankisi Gorge. PRM also contributed \$168,000 to OCHA for its field coordination unit in Georgia. PRM earmarked \$30,000 to the OSCE for a project promoting conflict resolution through sustained dialogue between civic groups from the conflict areas and their counterparts in the rest of Georgia on issues of common concern. In FY 2000, PRM earmarked \$1,168,895 to NGO projects. \$399,895 went to Counterpart International for its community development project. \$769,000 went to International Rescue Committee for community programs aimed at increasing self-reliance and creating durable solutions for IDPs.

Kazakhstan: In FY 2000, PRM earmarked \$370,000 to IOM's migration management program. The funds support migration management capacity building, legal assistance to migrants, and integration of returning ethnic Kazakh migrants. In FY 2000, PRM earmarked \$231,817 to the NGO, Counterpart International, for its proposal to integrate refugees and IDPs into local communities.

Tajikistan: In FY 2000, PRM earmarked \$100,000 to OCHA for its field coordination unit in Tajikistan. In FY 2000, \$585,791 was earmarked for NGO projects. \$372,851 went to Mercy Corps International for its skills training and credit proposal for returnees, IDPs, and refugees in southwestern Tajikistan. \$212,940 went to Shelter Now International for its community development proposal in the Khatlon district.

U.S. DEPARTMENT OF STATE – COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE

The Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C) is responsible for coordinating and facilitating the delivery of emergency and transitional humanitarian assistance to the NIS by over 16 U.S. Government agencies, as well as for coordinating U.S. Government humanitarian assistance efforts with other donor countries and several international organizations. In FY 2000, under Operation Provide Hope, the Coordinator's Office expended approximately \$16.1 million to leverage and facilitate the delivery of over \$221.5 million in privately donated and U.S. Defense Department excess humanitarian commodities to targeted groups in greatest need within the NIS. Working closely with numerous U.S. private volunteer organizations (PVOs), contracted freight forwarders and various U.S. Government agencies, the Coordinator's Office also funded several emergency and transitional humanitarian programs. FY 2000 program highlights include the following:

- The continuation and expansion of a cooperative agreement with the U.S. PVO Counterpart to manage a transportation program for small and medium-sized PVOs begun in March 1998 at the urging of Congress. This program is designed to fill a gap between S/NIS/C's Large PVO Programs and the S/NIS/C-funded Ocean Freight Program and furnishes funding to smaller PVOs shipping as few as one to two containers to target groups within the NIS. This program, which has worked with over 75 such organizations, delivered over \$11.4 million in humanitarian cargoes to all 12 countries of the NIS in FY 2000.
- The coordination and delivery of a U.S. Defense Department excess property hospital package worth approximately \$16 million to Moldova. This project consisted of a U.S. C-17 airlift which delivered over \$8 million in high-value pharmaceuticals and approximately 120 surface containers of medical supplies and equipment valued at over \$8 million. It supported humanitarian deliveries to 10 primary hospitals in Chisinau and over 150 clinics and smaller institutions in Moldova. This was the fourteenth such hospital package delivered through this program to the NIS through the Office of the Coordinator since the beginning of Provide Hope in 1992.
- The continuation of a large grant with Counterpart International to screen and deliver U.S. Defense Department excess property to those in greatest need in nine NIS countries. This program, which funneled over \$80 million in Defense Department excess commodities to the NIS in FY 2000, played a critical role in furnishing badly needed emergency commodities to displaced population in both east and west Georgia, in Zakarpatiya in Ukraine, to orphanages in Azerbaijan and Ukraine, and a multitude of the most needy institutions within the NIS. Counterpart's participation as the centerpiece to our coordination efforts in the delivery of humanitarian medical equipment, supplies, and pharmaceuticals to our FY 2000 Moldova project was invaluable.
- The continuation of grants to the United Methodist Committee on Relief (UMCOR) to conduct critical humanitarian clinical work in all three countries of the Caucasus (Armenia, Azerbaijan, and Georgia). UMCOR's efforts were especially critical in responding to the needs of refugees and IDP populations in Azerbaijan and Georgia and in supporting the operation of over 65 clinics in Armenia.
- Multiple grants to the U.S. PVO CitiHope to deliver high-value medical commodities to Kyrgyzstan, Belarus, and Moldova. CitiHope has been particularly effective in furnishing critically needed hepatitis vaccines and oncological medicines for children. They are the primary U.S. PVO working in Belarus.
- A grant to the U.S. PVO Project Hope to deliver critically needed pharmaceuticals to Tatarstan in Russia. Project Hope has been making deliveries under the Operation Provide Hope since its inception in 1992. This highly experienced PVO typically partners with U.S. business interest in the NIS to focus assistance on local populations in greatest need.
- The continuation of a grant to the U.S. PVO A Call to Serve (ACTS) in support of a multimillion-dollar project to supply critically needed medical commodities to eight separate locations in the mountainous regions of Georgia.
- The renewal of a grant with the PVO International Relief and Development (IRD) to continue its program responding to short-term needs of those displaced by the fighting in the Gali Region of Georgia as well as its programs in western Azerbaijan.

- The continuation of grants to the PVO World Council of Hellenes Abroad (SAE), working with Counterpart International as a subgrantee, to provide humanitarian clinical medical assistance to predominantly Greek populations in Georgia, Armenia and Ukraine.
- A grant to the U.S. PVO Heart-to-Heart in support of a multimillion-dollar program to deliver high-value pharmaceuticals to Azerbaijan, Georgia, Armenia and Uzbekistan through Physicians with Heart, a partnership between Heart-to-Heart, the American Academy of Family Physicians and several pharmaceutical companies. Over 20 medical personnel from this partnership accompanied humanitarian deliveries to Azerbaijan and conducted training seminars on family practice protocols.
- Continuation of a grant to the PVO Eaton-Hap to provide a multi-million-dollar program in Sumgait, Azerbaijan and various refugee regions to the north.
- Continued coordination of demining programs for Azerbaijan, Georgia, Moldova with the Humanitarian Demining Program of the State Department's Bureau of Political-Military Affairs.
- The final delivery of a Defense Department follow-on sustainment package of hospital supplies and equipment delivered in 1996 to the people of Armenia and the tasking of follow-on packages in Semipalatinsk and Kurchatov in Kazakhstan.
- Work with USAID in renewing and modifying fuel subsidy assistance programs to both Georgia and Moldova social sectors for the winter of 1999-2000. Grants will be administered in both countries through the PVO Counterpart International to provide fuel subsidy assistance to those in most need there.
- Work with USDA in the closeout of its 3.7 million metric ton FY 1999-funded humanitarian food package for Russia, including coordination with the U.S. Embassy in Moscow throughout the process. S/NIS/C also worked closely with USDA and other U.S. Government agencies in planning and implementing USDA's 500,000 metric ton humanitarian program in FY 2000.
- The initiation of a coordination process to deal with the effects of drought in various NIS countries, including Tajikistan, Georgia, Armenia, Azerbaijan, Uzbekistan, Kazakhstan, Kyrgyzstan and Ukraine. The U.S. Government collaborated with the United Nations and other international organizations to conduct assessments to determine the areas of greatest need.

Country-by-country overviews of Operation Provide Hope deliveries are provided on the following pages:

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO ARMENIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|---------------------------------------|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 17 | | 1.84 | 22.47 | |
| 1992 | Surface | | 4 | 0.02 | 2.80 | |
| | Operation Provide Hope II (Food&Med.) | | | 0.10 | 1.06 | |
| | S/NIS/C Admin & Program Support | | | 0.76 | | |
| FY 1992 TOTAL | | 17 | 4 | 2.72 | 26.33 | 29.05 |
| 1993 | Airlift | 22 | | 3.05 | 7.78 | |
| 1993 | Surface | | 1024 | 6.08 | 23.92 | |
| | CARE Grant | | | 0.83 | | |
| | Fuel Shipments (Mazout) | | | 5.15 | | |
| | S/NIS/C Admin & Program Support | | | 7.71 | | |
| FY 1993 TOTAL | | 22 | 1024 | 22.82 | 31.70 | 54.52 |
| 1994 | Airlift | 5 | | 0.70 | 10.35 | |
| 1994 | Surface | | 152 | 1.60 | 5.93 | |
| | Japanese Kerosene | | | 0.50 | | |
| | Fuel Shipments (Mazout) | | | 3.00 | | |
| | ATG Winter Wheat Seed | | | 1.00 | | |
| | Caucasus Logistics Assistance Unit | | | 1.75 | | |
| | CRS Grant | | | 0.50 | | |
| | WFP Grant | | | 1.50 | | |
| | CARE Grant | | | 0.06 | | |
| | UMCOR Grant | | | 0.25 | | |
| | S/NIS/C Admin & Program Support | | | 2.60 | | |
| FY 1994 TOTAL | | 5 | 152 | 13.46 | 16.28 | 29.74 |
| 1995 | Airlift | 9 | | 0.92 | 12.87 | |
| 1995 | Surface | | 202 | 1.55 | 14.83 | |
| | Winter & Spring Fertilizer | | | 0.12 | | |
| | Winter Wheat & Barley Seed | | | 0.43 | | |
| | Winter Diesel, Kerosene & Mazout | | | 2.04 | | |
| | WFP Grant | | | 0.95 | | |
| | Heart to Heart Grant | | | 0.16 | | |
| | Counterpart Grant | | | 0.10 | | |
| | CARE Grant | | | 0.17 | | |
| | UMCOR Grant | | | 0.33 | | |
| | S/NIS/C Admin & Program Support | | | 1.39 | | |
| FY 1995 TOTAL | | 9 | 202 | 8.16 | 27.70 | 35.86 |
| 1996 | Airlift | 8 | | 0.96 | 19.04 | |
| 1996 | Surface | | 161 | 0.93 | 15.76 | |
| | Barley Seed & 2,000 MT of Fall Wheat | | | 0.30 | | |
| | UMCOR Grant | | | 0.36 | | |
| | Counterpart Grant | | | 0.18 | | |
| | S/NIS/C Admin & Program Support | | | 0.26 | | |
| FY 1996 TOTAL | | 8 | 161 | 2.99 | 34.80 | 37.79 |
| 1997 | Airlift | 1 | | 0.13 | 2.05 | |
| 1997 | Surface | | 355 | 0.45 | 7.85 | |
| | UMCOR Grant | | | 0.30 | | |
| | DoD Excess Hospital (Yerevan-Oct'96) | | | 1.82 | 13.18 | |
| | S/NIS/C Admin & Program Support | | | 0.81 | | |
| FY 1997 TOTAL | | 1 | 355 | 3.51 | 23.08 | 26.59 |
| 1998 | Airlift | 3 | | 0.31 | 9.97 | |
| 1998 | Surface | | 90 | 0.47 | 7.80 | |
| | Counterpart Mammography Clinic | | | 0.02 | | |
| | UMCOR Grant | | | 0.20 | | |
| | CitiHope Grant | | | 0.09 | | |
| | S/NIS/C Admin & Program Support | | | 0.14 | | |
| FY 1998 TOTAL | | 3 | 90 | 1.23 | 17.77 | 19.00 |
| 1999 | Airlift | 5 | | 0.17 | 9.08 | |
| 1999 | Surface | | 159 | 0.59 | 10.07 | |
| | CitiHope | | | 0.18 | | |
| | UMCOR | | | 0.16 | | |
| | S/NIS/C Admin & Program Support | | | 0.35 | | |
| FY 1999 TOTAL | | 5 | 159 | 1.45 | 19.15 | 20.60 |
| 2000 | Airlift | 7 | | 0.02 | 2.29 | |
| 2000 | Surface | | 24 | 0.12 | 4.80 | |
| | UMCOR | | | 0.17 | | |
| | Hellenic/Counterpart | | | 0.21 | | |
| | DoD Followup Visit 2000 | | | 0.40 | | |
| | COUNTERPART Small Medium | | | 0.03 | | |
| | IRD | | | 0.18 | | |
| | S/NIS/C Admin & Program Support | | | 0.10 | | |
| FY 2000 TOTAL | | 7 | 24 | 1.22 | 7.09 | 8.31 |
| CUMULATIVE TOTAL | | 77 | 2171 | 57.55 | 203.90 | 261.45 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO AZERBAIJAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|--|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 5 | | 0.22 | 8.80 | |
| 1992 | Surface | | 2 | 0.02 | 0.42 | |
| | Operation Provide Hope II (Food&Med.) | | | 0.30 | 1.30 | |
| | S/NIS/C Admin & Program Support | | | 0.21 | | |
| FY 1992 TOTAL | | 5 | 2 | 0.75 | 10.52 | 11.27 |
| 1993 | Airlift | 4 | | 0.13 | 0.92 | |
| 1993 | Surface | | 0 | | | |
| | CARE Grant | | | 0.44 | | |
| | S/NIS/C Admin & Program Support | | | 0.29 | | |
| FY 1993 TOTAL | | 4 | 0 | 0.86 | 0.92 | 1.78 |
| 1994 | Airlift | 8 | | 0.60 | 4.70 | |
| 1994 | Surface | | 4 | 0.01 | 0.40 | |
| | CARE Grant | | | 0.04 | | |
| | Relief International Grant | | | 0.04 | | |
| | Medicines Sans Frontiers | | | 0.01 | | |
| | WFP Grant | | | 1.00 | | |
| | S/NIS/C Admin & Program Support | | | 0.41 | | |
| FY 1994 TOTAL | | 8 | 4 | 2.11 | 5.10 | 7.21 |
| 1995 | Airlift | 0 | | | | |
| 1995 | Surface | | 41 | 0.26 | 2.52 | |
| | Relief Int'l. Grant | | | 0.03 | | |
| | CARE Grant | | | 0.17 | | |
| | WFP Grant | | | 1.60 | | |
| | S/NIS/C Admin & Program Support | | | 0.42 | | |
| FY 1995 TOTAL | | 0 | 41 | 2.48 | 2.52 | 5.00 |
| 1996 | Airlift | 1 | | 0.07 | 0.53 | |
| 1996 | Surface | | 30 | 0.29 | 2.58 | |
| | UMCOR Grant | | | 0.36 | | |
| | Project HOPE Grant | | | 0.05 | | |
| | Counterpart Grant | | | 0.09 | | |
| | Intl Relief Cmte Grant | | | 0.01 | | |
| | WFP Grant | | | 0.40 | | |
| | S/NIS/C Admin & Program Support | | | 0.12 | | |
| FY 1996 TOTAL | | 1 | 30 | 1.39 | 3.11 | 4.50 |
| 1997 | Airlift | 5 | | 0.29 | 5.40 | |
| 1997 | Surface | | 19 | 0.15 | 5.42 | |
| | Intl Relief Cmte Grant | | | 0.01 | | |
| | Heart to Heart Grant | | | 0.03 | | |
| | UMCOR Grant | | | 0.37 | | |
| | Project HOPE Grant | | | 0.03 | | |
| | S/NIS/C Admin & Program Support | | | 0.26 | | |
| FY 1997 TOTAL | | 5 | 19 | 1.14 | 10.82 | 11.96 |
| 1998 | Airlift | 8 | | 0.64 | 8.54 | |
| 1998 | Surface | | 287 | 0.34 | 3.49 | |
| | UMCOR Grant | | | 0.43 | | |
| | Counterpart Grant | | | 0.17 | | |
| | CitiHope | | | 0.03 | | |
| | Project Hope | | | 0.04 | | |
| | DoD Excess Hospital (Baku - Sept. 98) | | | 0.95 | 12.50 | |
| | S/NIS/C Admin & Program Support | | | 0.28 | | |
| FY 1998 TOTAL | | 8 | 287 | 2.88 | 24.53 | 27.41 |
| 1999 | Airlift | 11 | | 0.18 | 4.00 | |
| 1999 | Surface | | 84 | 0.57 | 11.23 | |
| | Counterpart Grant | | | 0.24 | | |
| | I.R.D. | | | 0.40 | | |
| | Eaton-HAP | | | 0.40 | | |
| | CitiHope | | | 0.10 | | |
| | UMCOR | | | 0.45 | | |
| | S/NIS/C Admin & Program Support | | | 0.63 | | |
| FY 1999 TOTAL | | 11 | 84 | 2.97 | 15.23 | 18.20 |
| 2000 | Airlift | 7 | | 0.12 | 7.16 | |
| 2000 | Surface | | 35 | 0.19 | 5.10 | |
| | Counterpart Grant | | | 0.14 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | UMCOR | | | 0.38 | | |
| | Heart to Heart Grant | | | 0.40 | | |
| | IRD | | | 0.21 | | |
| | EATON-HAP | | | 0.16 | | |
| | S/NIS/C Admin & Program Support | | | 0.21 | | |
| FY 2000 TOTAL | | 7 | 35 | 1.82 | 12.26 | 14.08 |
| CUMULATIVE TOTAL | | 49 | 502 | 16.40 | 85.01 | 101.41 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO BELARUS

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|------------------------------------|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 8 | | 0.41 | 13.36 | |
| 1992 | Surface | | 8 | 0.01 | 0.17 | |
| | S/NIS/C Admin & Program Support | | | 0.16 | | |
| FY 1992 TOTAL | | 8 | 8 | 0.58 | 13.53 | 14.11 |
| 1993 | Airlift | 3 | | 0.27 | 3.05 | |
| 1993 | Surface | | 75 | 0.51 | 10.42 | |
| | S/NIS/C Admin & Program Support | | | 0.40 | | |
| FY 1993 TOTAL | | 3 | 75 | 1.18 | 13.47 | 14.65 |
| 1994 | Airlift | 2 | | 0.21 | 1.82 | |
| 1994 | Surface | | 113 | 0.45 | 12.32 | |
| | DoD Excess Hospital (Minsk-Aug'94) | | | 1.50 | 11.20 | |
| | S/NIS/C Admin & Program Support | | | 0.52 | | |
| FY 1994 TOTAL | | 2 | 113 | 2.68 | 25.34 | 28.02 |
| 1995 | Airlift | 1 | | 0.11 | 2.50 | |
| 1995 | Surface | | 108 | 0.54 | 14.99 | |
| | Counterpart Grant | | | 0.10 | | |
| | S/NIS/C Admin & Program Support | | | 0.45 | | |
| FY 1995 TOTAL | | 1 | 108 | 1.20 | 17.49 | 18.69 |
| 1996 | Airlift | 4 | | 0.44 | 11.83 | |
| 1996 | Surface | | 172 | 0.81 | 28.07 | |
| | Counterpart Grant | | | 0.10 | | |
| | S/NIS/C Admin & Program Support | | | 0.13 | | |
| FY 1996 TOTAL | | 4 | 172 | 1.48 | 39.90 | 41.38 |
| 1997 | Airlift | 1 | | 0.14 | 4.01 | |
| 1997 | Surface | | 58 | 0.29 | 6.45 | |
| | Counterpart Grant | | | 0.02 | | |
| | S/NIS/C Admin & Program Support | | | 0.13 | | |
| FY 1997 TOTAL | | 1 | 58 | 0.58 | 10.46 | 11.04 |
| 1998 | Airlift | 3 | | 0.11 | 2.44 | |
| 1998 | Surface | | 37 | 0.18 | 5.42 | |
| | S/NIS/C Admin & Program Support | | | 0.06 | | |
| FY 1998 TOTAL | | 3 | 37 | 0.35 | 7.86 | 8.21 |
| 1999 | Airlift | 4 | | 0.03 | 2.81 | |
| 1999 | Surface | | 69 | 0.27 | 14.16 | |
| | Counterpart Grant | | | 0.01 | | |
| | CitiHope | | | 0.06 | | |
| | S/NIS/C Admin & Program Support | | | 0.05 | | |
| FY 1999 TOTAL | | 4 | 69 | 0.41 | 16.97 | 17.39 |
| 2000 | Airlift | 4 | | 0.08 | 4.31 | |
| 2000 | Surface | | 59 | 0.25 | 10.40 | |
| | Counterpart Grant | | | 0.04 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | CITIHOPE | | | 0.15 | | |
| | S/NIS/C Admin & Program Support | | | 0.07 | | |
| FY 2000 TOTAL | | 4 | 59 | 0.62 | 14.72 | 15.34 |
| CUMULATIVE TOTAL | | 30 | 699 | 9.08 | 159.74 | 168.82 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO GEORGIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|---|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 19 | | 1.04 | 17.38 | |
| 1992 | Surface | | 0 | | | |
| | DoD Excess Hospital (Tbilisi-Sep'92) | | | 2.00 | 15.00 | |
| | ACTS Grant | | | 0.05 | | |
| | Operation Provide Hope II (Food & Med.) | | | 0.10 | 1.92 | |
| | S/NIS/C Admin & Program Support | | | 1.24 | | |
| FY 1992 TOTAL | | 19 | 0 | 4.43 | 34.30 | 38.73 |
| 1993 | Airlift | 10 | | 0.89 | 9.90 | |
| 1993 | Surface | | 386 | 2.33 | 22.71 | |
| | ACTS Grant | | | 0.46 | | |
| | CARE Grant | | | 0.83 | | |
| | Fuel Shipment (Mazout) | | | 5.15 | | |
| | S/NIS/C Admin & Program Support | | | 4.93 | | |
| FY 1993 TOTAL | | 10 | 386 | 14.59 | 32.61 | 47.20 |
| 1994 | Airlift | 30 | | 2.60 | 20.79 | |
| 1994 | Surface | | 184 | 1.19 | 29.59 | |
| | Japanese Kerosene | | | 0.30 | | |
| | ACTS .70 / UMCOR .35 Grant | | | 1.05 | | |
| | CRS .50 / CARE .06 / WFP 1.00 Grant | | | 1.56 | | |
| | Caucasus Logistics Assistance Unit | | | 1.75 | | |
| | S/NIS/C Admin & Program Support | | | 2.02 | | |
| FY 1994 TOTAL | | 30 | 184 | 10.47 | 50.38 | 60.85 |
| 1995 | Airlift | 10 | | 0.69 | 8.47 | |
| 1995 | Surface | | 178 | 1.27 | 8.74 | |
| | Fuel Shipment (Mazout - Oct. '94) | | | 2.00 | | |
| | ACTS Grant | | | 0.38 | | |
| | WFP 1.00 / CARE .26 Grant | | | 1.26 | | |
| | Counterpart Grant | | | 0.65 | | |
| | UMCOR Grant | | | 0.28 | | |
| | DoD Hospital Upgrade (Tbilisi-Jun'95) | | | 0.15 | 1.35 | |
| | S/NIS/C Admin & Program Support | | | 2.20 | | |
| FY 1995 TOTAL | | 10 | 178 | 8.88 | 18.56 | 27.44 |
| 1996 | Airlift | 12 | | 1.05 | 21.82 | |
| 1996 | Surface | | 237 | 1.47 | 19.37 | |
| | UMCOR .35 / ACTS .33 Grant | | | 0.68 | | |
| | Counterpart Grant | | | 0.25 | | |
| | S/NIS/C Admin & Program Support | | | 0.32 | | |
| FY 1996 TOTAL | | 12 | 237 | 3.77 | 41.19 | 44.96 |
| 1997 | Airlift | 5 | | 0.40 | 26.66 | |
| 1997 | Surface | | 139 | 0.77 | 29.17 | |
| | UMCOR .20 / .35 Grant | | | 0.55 | | |
| | S/NIS/C Admin & Program Support | | | 0.57 | | |
| FY 1997 TOTAL | | 5 | 139 | 2.29 | 55.83 | 58.12 |
| 1998 | Airlift | 6 | | 0.53 | 22.85 | |
| 1998 | Surface | | 97 | 0.46 | 13.87 | |
| | IMC .20 / ACTS .33 / UMCOR .27 Grant | | | 0.80 | | |
| | Counterpart Grant | | | 0.34 | | |
| | Heart to Heart Grant | | | 0.03 | | |
| | S/NIS/C Admin & Program Support | | | 0.36 | | |
| FY 1998 TOTAL | | 6 | 97 | 2.52 | 36.72 | 39.24 |
| 1999 | Airlift | 11 | | 0.36 | 16.02 | |
| 1999 | Surface | | 158 | 0.78 | 23.07 | |
| | Counterpart Grant | | | 0.37 | | |
| | A.C.T.S. | | | 0.30 | | |
| | UMCOR | | | 0.22 | | |
| | Hellenic/Counterpart | | | 0.31 | | |
| | I.R.D. | | | 0.26 | | |
| | S/NIS/C Admin & Program Support | | | 0.50 | | |
| FY 1999 TOTAL | | 11 | 158 | 3.10 | 39.08 | 42.19 |
| 2000 | Airlift | 12 | | 0.14 | 7.41 | |
| 2000 | Surface | | 97 | 0.40 | 18.18 | |
| | UMCOR | | | 0.20 | | |
| | Counterpart Grant | | | 0.34 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | IRD | | | 0.47 | | |
| | ACTS | | | 0.26 | | |
| | S/NIS/C Admin & Program Support | | | 0.21 | | |
| FY 2000 TOTAL | | 12 | 97 | 2.05 | 25.59 | 27.64 |
| CUMULATIVE TOTAL | | 115 | 1476 | 52.11 | 334.26 | 386.37 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO KAZAKHSTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|--|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 9 | | 0.90 | 22.00 | |
| 1992 | Surface | | 4 | 0.03 | 0.25 | |
| | Operation Provide Hope II (Food&Med.) | | | 0.50 | 3.22 | |
| | S/NIS/C Admin & Program Support | | | 0.55 | | |
| FY 1992 TOTAL | | 9 | 4 | 1.98 | 25.47 | 27.45 |
| 1993 | Airlift | 6 | | 0.90 | 9.80 | |
| 1993 | Surface | | 28 | 0.20 | 1.40 | |
| | S/NIS/C Admin & Program Support | | | 0.56 | | |
| FY 1993 TOTAL | | 6 | 28 | 1.66 | 11.20 | 12.86 |
| 1994 | Airlift | 3 | | 0.47 | 11.40 | |
| 1994 | Surface | | 226 | 0.36 | 7.20 | |
| | UMCOR Grant | | | 0.07 | | |
| | S/NIS/C Admin & Program Support | | | 0.22 | | |
| FY 1994 TOTAL | | 3 | 226 | 1.12 | 18.60 | 19.72 |
| 1995 | Airlift | 8 | | 0.88 | 9.42 | |
| 1995 | Surface | | 198 | 1.13 | 8.05 | |
| | DoD Excess Hospital (Almaty-Dec'94) | | | 2.10 | 13.50 | |
| | Counterpart Grant | | | 0.10 | | |
| | UMCOR Grant | | | 0.03 | | |
| | S/NIS/C Admin & Program Support | | | 0.49 | | |
| FY 1995 TOTAL | | 8 | 198 | 4.73 | 30.97 | 35.70 |
| 1996 | Airlift | 6 | | 0.77 | 7.66 | |
| 1996 | Surface | | 56 | 0.44 | 4.92 | |
| | Project Sapphire | | | 0.10 | | |
| | Counterpart Grant | | | 0.10 | | |
| | Heart to Heart Grant | | | 0.11 | | |
| | DoD Excess Hospital (Semi/Kurch-Nov'95) | | | 0.68 | 5.32 | |
| | DoD Excess Hospital (Ust-Kamenogorsk-Jun'96) | | | 0.02 | 1.48 | |
| | S/NIS/C Admin & Program Support | | | 0.21 | | |
| FY 1996 TOTAL | | 6 | 56 | 2.43 | 19.38 | 21.81 |
| 1997 | Airlift | 5 | | 0.64 | 11.97 | |
| 1997 | Surface | | 84 | 0.62 | 13.33 | |
| | Counterpart Grant | | | 0.09 | | |
| | S/NIS/C Admin & Program Support | | | 0.40 | | |
| FY 1997 TOTAL | | 5 | 84 | 1.75 | 25.30 | 27.05 |
| 1998 | Airlift | 6 | | 0.25 | 1.71 | |
| 1998 | Surface | | 61 | 0.47 | 9.68 | |
| | Counterpart Grant | | | 0.42 | | |
| | S/NIS/C Admin & Program Support | | | 0.23 | | |
| FY 1998 TOTAL | | 6 | 61 | 1.37 | 11.39 | 12.76 |
| 1999 | Airlift | 1 | | 0.01 | 0.01 | |
| 1999 | Surface | | 83 | 0.56 | 13.97 | |
| | Counterpart Grant | | | 0.40 | | |
| | S/NIS/C Admin & Program Support | | | 0.20 | | |
| FY 1999 TOTAL | | 1 | 83 | 1.17 | 13.97 | 15.14 |
| 2000 | Airlift | 0 | | | | |
| 2000 | Surface | | 68 | 0.38 | 10.26 | |
| | Counterpart Grant | | | 0.50 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | S/NIS/C Admin & Program Support | | | 0.13 | | |
| FY 2000 TOTAL | | 0 | 68 | 1.04 | 10.26 | 11.29 |
| CUMULATIVE TOTAL | | 44 | 808 | 17.24 | 166.54 | 183.78 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO KYRGYZSTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|---------------------------------------|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 6 | | 0.37 | 10.40 | |
| 1992 | Surface | | | | | |
| | Operation Provide Hope II (Food&Med.) | | | 0.10 | 2.15 | |
| | S/NIS/C Admin & Program Support | | | 0.18 | | |
| FY 1992 TOTAL | | 6 | 0 | 0.65 | 12.55 | 13.20 |
| 1993 | Airlift | 8 | | 0.86 | 5.61 | |
| 1993 | Surface | | | | | |
| | DoD Excess Hospital (Bishkek-Apr'93) | | | 1.50 | 17.70 | |
| | S/NIS/C Admin & Program Support | | | 1.20 | | |
| FY 1993 TOTAL | | 8 | 0 | 3.56 | 23.31 | 26.87 |
| 1994 | Airlift | 5 | | 0.49 | 9.58 | |
| 1994 | Surface | | 18 | 0.09 | 1.14 | |
| | S/NIS/C Admin & Program Support | | | 0.14 | | |
| FY 1994 TOTAL | | 5 | 18 | 0.72 | 10.72 | 11.44 |
| 1995 | Airlift | 2 | | 0.12 | 0.80 | |
| 1995 | Surface | | 42 | 0.16 | 0.45 | |
| | DoD Hospital Upgrade (Bishkek-Jun'95) | | | 0.15 | 1.35 | |
| | S/NIS/C Admin & Program Support | | | 0.28 | | |
| FY 1995 TOTAL | | 2 | 42 | 0.71 | 2.60 | 3.31 |
| 1996 | Airlift | 0 | | 0.00 | 0.00 | |
| 1996 | Surface | | 36 | 0.26 | 3.17 | |
| | Heart to Heart Grant | | | 0.11 | | |
| | S/NIS/C Admin & Program Support | | | 0.03 | | |
| FY 1996 TOTAL | | 0 | 36 | 0.40 | 3.17 | 3.57 |
| 1997 | Airlift | 8 | | 0.58 | 5.14 | |
| 1997 | Surface | | 32 | 0.34 | 6.98 | |
| | Counterpart Grant | | | 0.10 | | |
| | S/NIS/C Admin & Program Support | | | 0.31 | | |
| FY 1997 TOTAL | | 8 | 32 | 1.33 | 12.12 | 13.45 |
| 1998 | Airlift | 19 | | 0.49 | 11.77 | |
| 1998 | Surface | | 40 | 0.33 | 7.81 | |
| | Counterpart Grant | | | 0.09 | | |
| | Project Hope | | | 0.13 | | |
| | CitiHope Grant | | | 0.21 | | |
| | S/NIS/C Admin & Program Support | | | 0.23 | | |
| FY 1998 TOTAL | | 19 | 40 | 1.48 | 19.58 | 21.06 |
| 1999 | Airlift | 3 | | 0.24 | 7.72 | |
| 1999 | Surface | | 80 | 0.60 | 11.81 | |
| | Counterpart Grant | | | 0.18 | | |
| | Heart to Heart Int'l | | | 0.02 | | |
| | CitiHope Int'l | | | 0.16 | | |
| | S/NIS/C Admin & Program Support | | | 0.22 | | |
| FY 1999 TOTAL | | 3 | 80 | 1.42 | 19.53 | 20.96 |
| 2000 | Airlift | 4 | | 0.13 | 7.88 | |
| 2000 | Surface | | 69 | 0.45 | 9.95 | |
| | Counterpart Grant | | | 0.10 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | CitiHope Int'l | | | 0.27 | | |
| | S/NIS/C Admin & Program Support | | | 0.13 | | |
| FY 2000 TOTAL | | 4 | 69 | 1.12 | 17.83 | 18.94 |
| CUMULATIVE TOTAL | | 55 | 317 | 11.39 | 121.41 | 132.80 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO MOLDOVA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|--|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 4 | | 0.20 | 7.50 | |
| 1992 | Surface | | 6 | 0.05 | 0.57 | |
| | Operation Provide Hope II (Food&Med.) | | | 0.30 | 1.10 | |
| | S/NIS/C Admin & Program Support | | | 0.21 | | |
| FY 1992 TOTAL | | 4 | 6 | 0.76 | 9.17 | 9.93 |
| 1993 | Airlift | 4 | | 0.36 | 7.00 | |
| 1993 | Surface | | 109 | 0.52 | 6.00 | |
| | S/NIS/C Admin & Program Support | | | 0.45 | | |
| FY 1993 TOTAL | | 4 | 109 | 1.33 | 13.00 | 14.33 |
| 1994 | Airlift | 4 | | 0.09 | 0.50 | |
| 1994 | Surface | | 55 | 0.30 | 9.20 | |
| | DoD Excess Hospital (Chisinau-Aug'94) | | | 1.20 | 12.50 | |
| | Counterpart Grant | | | 0.02 | | |
| | Oil & Coal | | | 4.10 | | |
| | S/NIS/C Admin & Program Support | | | 1.37 | | |
| FY 1994 TOTAL | | 4 | 55 | 7.08 | 22.20 | 29.28 |
| 1995 | Airlift | 0 | | | | |
| 1995 | Surface | | 113 | 0.62 | 6.17 | |
| | Counterpart Grant | | | 0.02 | | |
| | S/NIS/C Admin & Program Support | | | 0.42 | | |
| FY 1995 TOTAL | | 0 | 113 | 1.06 | 6.17 | 7.23 |
| 1996 | Airlift | 3 | | 0.17 | 0.69 | |
| 1996 | Surface | | 103 | 0.35 | 6.84 | |
| | DoD Hospital Upgrade (Chisinau-Jul'96) | | | 0.15 | 1.35 | |
| | S/NIS/C Admin & Program Support | | | 0.06 | | |
| FY 1996 TOTAL | | 3 | 103 | 0.73 | 8.88 | 9.61 |
| 1997 | Airlift | 2 | | 0.13 | 3.19 | |
| 1997 | Surface | | 56 | 0.28 | 5.80 | |
| | Counterpart Grant | | | 0.09 | | |
| | S/NIS/C Admin & Program Support | | | 0.15 | | |
| FY 1997 TOTAL | | 2 | 56 | 0.65 | 8.99 | 9.64 |
| 1998 | Airlift | 0 | | | | |
| 1998 | Surface | | 72 | 0.33 | 10.58 | |
| | CitiHope | | | 0.08 | | |
| | Counterpart Grant | | | 0.01 | | |
| | S/NIS/C Admin & Program Support | | | 0.07 | | |
| FY 1998 TOTAL | | 0 | 72 | 0.49 | 10.58 | 11.07 |
| 1999 | Airlift | 1 | | 0.04 | 3.60 | |
| 1999 | Surface | | 98 | 0.41 | 15.09 | |
| | Counterpart Grant | | | 0.02 | | |
| | CitiHope | | | 0.17 | | |
| | S/NIS/C Admin & Program Support | | | 0.12 | | |
| FY 1999 TOTAL | | 1 | 98 | 0.76 | 18.69 | 19.45 |
| 2000 | Airlift | 4 | | 0.09 | 7.95 | |
| 2000 | Surface | | 208 | 0.59 | 14.46 | |
| | Counterpart Grant | | | 0.15 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | Citihope | | | 0.20 | | |
| | DoD Hospital Project | | | 1.54 | | |
| | S/NIS/C Admin & Program Support | | | 0.33 | | |
| FY 2000 TOTAL | | 4 | 208 | 2.92 | 22.42 | 25.34 |
| CUMULATIVE TOTAL | | 22 | 820 | 15.78 | 120.10 | 135.88 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO RUSSIA

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|--|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 65 | | 5.53 | 130.94 | |
| 1992 | Surface | | 311 | 1.50 | 16.96 | |
| | Heart to Heart Grant | | | 0.02 | | |
| | CARE Grant | | | 2.00 | | |
| | Operation Provide Hope II (Food&Med.) | | | 2.60 | 29.51 | |
| | S/NIS/C Admin & Program Support | | | 4.52 | | |
| FY 1992 TOTAL | | 65 | 311 | 16.17 | 177.41 | 193.58 |
| 1993 | Airlift | 12 | | 1.14 | 25.34 | |
| 1993 | Surface | | 1034 | 4.42 | 45.25 | |
| | CARE 1.81 / CRS .17Grant | | | 1.98 | | |
| | Family to Family Grant | | | 0.02 | | |
| | Miramet Institute Grant | | | 0.01 | | |
| | Helping Hand & Open Curtain Grant | | | 0.02 | | |
| | Salvation Army Grant | | | 0.02 | | |
| | Operation Provide Hope III (MRE's, Food) | | | 2.63 | 40.00 | |
| | Two DoD Excess Hospitals (Moscow-Oct'93) | | | 1.70 | 36.00 | |
| | S/NIS/C Admin & Program Support | | | 6.09 | | |
| FY 1993 TOTAL | | 12 | 1034 | 18.03 | 146.59 | 164.62 |
| 1994 | Airlift | 2 | | 0.31 | 8.20 | |
| 1994 | Surface | | 1176 | 4.39 | 86.44 | |
| | CRS Grant | | | 0.50 | | |
| | Counterpart Grant | | | 0.28 | | |
| | S/NIS/C Admin & Program Support | | | 1.31 | | |
| FY 1994 TOTAL | | 2 | 1176 | 6.79 | 94.64 | 101.43 |
| 1995 | Airlift | 27 | | 1.99 | 9.39 | |
| 1995 | Surface | | 890 | 4.93 | 67.75 | |
| | Counterpart Grant | | | 0.02 | | |
| | S/NIS/C Admin & Program Support | | | 4.58 | | |
| FY 1995 TOTAL | | 27 | 890 | 11.52 | 77.14 | 88.66 |
| 1996 | Airlift | 13 | | 0.46 | 7.84 | |
| 1996 | Surface | | 351 | 1.42 | 34.60 | |
| | DoD Excess Hospital (Vladivostok-Oct'95) | | | 0.50 | 4.50 | |
| | S/NIS/C Admin & Program Support | | | 0.22 | | |
| FY 1996 TOTAL | | 13 | 351 | 2.60 | 46.94 | 49.54 |
| 1997 | Airlift | 10 | | 0.45 | 12.20 | |
| 1997 | Surface | | 76 | 0.56 | 8.69 | |
| | S/NIS/C Admin & Program Support | | | 0.30 | | |
| FY 1997 TOTAL | | 10 | 76 | 1.31 | 20.89 | 22.20 |
| 1998 | Airlift | 9 | | 0.35 | 5.98 | |
| 1998 | Surface | | 97 | 0.47 | 12.65 | |
| | Heart To Heart Grant | | | 0.30 | | |
| | S/NIS/C Admin & Program Support | | | 0.22 | | |
| FY 1998 TOTAL | | 9 | 97 | 1.34 | 18.63 | 19.97 |
| 1999 | Airlift | 6 | | 0.21 | 2.52 | |
| 1999 | Surface | | 163 | 0.89 | 17.40 | |
| | Heart to Heart Int'l | | | 0.02 | | |
| | S/NIS/C Admin & Program Support | | | 0.22 | | |
| FY 1999 TOTAL | | 6 | 163 | 1.34 | 19.92 | 21.26 |
| 2000 | Airlift | 4 | | 0.22 | 7.12 | |
| 2000 | Surface | | 170 | 0.86 | 18.93 | |
| | COUNTERPART Small Medium | | | 0.03 | | |
| | S/NIS/C Admin & Program Support | | | 0.14 | | |
| FY 2000 TOTAL | | 4 | 170 | 1.26 | 26.05 | 27.31 |
| CUMULATIVE TOTAL | | 148 | 4268 | 60.37 | 628.21 | 688.58 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO TAJIKISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|---------------------------------------|----------------|-------------------|-------------------------|--------------------|--------------|
| 1992 | Airlift | 8 | | 0.56 | 11.61 | |
| 1992 | Surface | | 4 | 0.02 | 0.21 | |
| | Operation Provide Hope II (Food&Med.) | | | 0.20 | 2.49 | |
| | S/NIS/C Admin & Program Support | | | 0.30 | | |
| FY 1992 TOTAL | | 8 | 4 | 1.08 | 14.31 | 15.39 |
| 1993 | Airlift | 3 | | 0.34 | 1.28 | |
| 1993 | Surface | | 7 | 0.05 | 0.05 | |
| | Aga Khan Grant | | | 0.28 | | |
| | S/NIS/C Admin & Program Support | | | 0.34 | | |
| FY 1993 TOTAL | | 3 | 7 | 1.01 | 1.33 | 2.34 |
| 1994 | Airlift | 4 | | 0.57 | 3.10 | |
| 1994 | Surface | | 4 | 0.02 | 0.09 | |
| | CARE Grant | | | 0.04 | | |
| | S/NIS/C Admin & Program Support | | | 0.15 | | |
| FY 1994 TOTAL | | 4 | 4 | 0.78 | 3.19 | 3.97 |
| 1995 | Airlift | 2 | | 0.32 | 0.75 | |
| 1995 | Surface | | 39 | 0.31 | 2.42 | |
| | Aga Khan Grant | | | 0.12 | | |
| | S/NIS/C Admin & Program Support | | | 0.50 | | |
| FY 1995 TOTAL | | 2 | 39 | 1.25 | 3.17 | 4.42 |
| 1996 | Airlift | 0 | | 0.00 | 0.00 | |
| 1996 | Surface | | 11 | 0.08 | 1.14 | |
| | Relief Int'l. Grant | | | 0.02 | | |
| | S/NIS/C Admin & Program Support | | | 0.01 | | |
| FY 1996 TOTAL | | 0 | 11 | 0.11 | 1.14 | 1.25 |
| 1997 | Airlift | 1 | | 0.01 | 0.04 | |
| 1997 | Surface | | 25 | 0.17 | 1.64 | |
| | Counterpart Grant | | | 0.12 | | |
| | Heart to Heart Grant | | | 0.03 | | |
| | S/NIS/C Admin & Program Support | | | 0.10 | | |
| FY 1997 TOTAL | | 1 | 25 | 0.43 | 1.68 | 2.11 |
| 1998 | Airlift | 1 | | 0.11 | 1.19 | |
| 1998 | Surface | | 17 | 0.13 | 1.73 | |
| | Humanitarian Daily Rations | | | | 1.70 | |
| | S/NIS/C Admin & Program Support | | | 0.02 | | |
| FY 1998 TOTAL | | 1 | 17 | 0.26 | 4.62 | 4.88 |
| 1999 | Airlift | 2 | | 0.07 | 1.59 | |
| 1999 | Surface | | 10 | 0.08 | 1.89 | |
| | Project Hope | | | 0.01 | | |
| | S/NIS/C Admin & Program Support | | | 0.02 | | |
| FY 1999 TOTAL | | 2 | 10 | 0.18 | 3.48 | 3.66 |
| 2000 | Airlift | | | | | |
| 2000 | Surface | | 28 | 0.20 | 5.33 | |
| | Counterpart Small Medium | | | 0.03 | | |
| | Counterpart Grant | | | 0.14 | | |
| | S/NIS/C Admin & Program Support | | | 0.05 | | |
| FY 2000 TOTAL | | 0 | 28 | 0.42 | 5.33 | 5.76 |
| CUMULATIVE TOTAL | | 21 | 145 | 5.52 | 38.26 | 43.78 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO TURKMENISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANT</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|---------------------------------------|----------------|-------------------|------------------------|--------------------|--------------|
| 1992 | Airlift | 9 | | 0.77 | 12.53 | |
| 1992 | Surface | | 2 | 0.02 | 0.30 | |
| | Operation Provide Hope II (Food&Med.) | | | 0.10 | 1.44 | |
| | S/NIS/C Admin & Program Support | | | 0.35 | | |
| FY 1992 TOTAL | | 9 | 2 | 1.24 | 14.27 | 15.51 |
| 1993 | Airlift | 3 | | 0.20 | 1.44 | |
| 1993 | Surface | | 0 | | | |
| | S/NIS/C Admin & Program Support | | | 0.10 | | |
| FY 1993 TOTAL | | 3 | 0 | 0.30 | 1.44 | 1.74 |
| 1994 | Airlift | 5 | | 0.33 | 2.04 | |
| 1994 | Surface | | 1 | 0.01 | 0.18 | |
| | S/NIS/C Admin & Program Support | | | 0.08 | | |
| FY 1994 TOTAL | | 5 | 1 | 0.42 | 2.22 | 2.64 |
| 1995 | Airlift | 1 | | 0.18 | 3.20 | |
| 1995 | Surface | | 8 | 0.05 | 0.58 | |
| | S/NIS/C Admin & Program Support | | | 0.15 | | |
| FY 1995 TOTAL | | 1 | 8 | 0.38 | 3.78 | 4.16 |
| 1996 | Airlift | 0 | | 0.00 | 0.00 | |
| 1996 | Surface | | 1 | 0.01 | 0.07 | |
| | S/NIS/C Admin & Program Support | | | 0.00 | | |
| FY 1996 TOTAL | | 0 | 1 | 0.01 | 0.07 | 0.08 |
| 1997 | Airlift | 0 | | 0.00 | 0.00 | |
| 1997 | Surface | | 0 | 0.00 | 0.00 | |
| | S/NIS/C Admin & Program Support | | | 0.00 | | |
| FY 1997 TOTAL | | 0 | 0 | 0.00 | 0.00 | 0.00 |
| 1998 | Airlift | 1 | | 0.09 | 4.16 | |
| 1998 | Surface | | 4 | 0.03 | 0.79 | |
| | CitiHope Grant | | | 0.09 | | |
| | Counterpart Grant | | | 0.09 | | |
| | Project Hope | | | 0.09 | | |
| | S/NIS/C Admin & Program Support | | | 0.07 | | |
| FY 1998 TOTAL | | 1 | 4 | 0.46 | 4.95 | 5.41 |
| 1999 | Airlift | 2 | | 0.10 | 2.04 | |
| 1999 | Surface | | 41 | 0.28 | 5.51 | |
| | Counterpart Grant | | | 0.18 | | |
| | S/NIS/C Admin & Program Support | | | 0.12 | | |
| FY 1999 TOTAL | | 2 | 41 | 0.68 | 7.55 | 8.23 |
| 2000 | Airlift | 1 | | 0.07 | 1.37 | |
| 2000 | Surface | | 25 | 0.14 | 4.29 | |
| | Counterpart Grant | | | 0.11 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | S/NIS/C Admin & Program Support | | | 0.05 | | |
| FY 2000 TOTAL | | 1 | 25 | 0.40 | 5.66 | 6.05 |
| CUMULATIVE TOTAL | | 22 | 82 | 3.88 | 39.93 | 43.82 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO UKRAINE

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|---------------------------------------|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 9 | | 0.70 | 19.30 | |
| 1992 | Surface | | 54 | 0.24 | 2.20 | |
| | Operation Provide Hope II (Food&Med.) | | | 0.10 | 1.30 | |
| | S/NIS/C Admin & Program Support | | | 0.40 | | |
| FY 1992 TOTAL | | 9 | 54 | 1.44 | 22.80 | 24.24 |
| 1993 | Airlift | 5 | | 0.39 | 3.60 | |
| 1993 | Surface | | 255 | 1.83 | 19.50 | |
| | Helping Hand & Open Curtain Grant | | | 0.02 | | |
| | Counterpart Grant | | | 0.01 | | |
| | S/NIS/C Admin & Program Support | | | 1.15 | | |
| FY 1993 TOTAL | | 5 | 255 | 3.40 | 23.10 | 26.50 |
| 1994 | Airlift | 4 | | 0.53 | 12.30 | |
| 1994 | Surface | | 550 | 1.20 | 29.60 | |
| | Counterpart Grant | | | 0.35 | | |
| | S/NIS/C Admin & Program Support | | | 0.50 | | |
| FY 1994 TOTAL | | 4 | 550 | 2.58 | 41.90 | 44.48 |
| 1995 | Airlift | 13 | | 1.17 | 9.86 | |
| 1995 | Surface | | 975 | 4.78 | 49.17 | |
| | DoD Excess Hospital (Dontesk-Apr'96) | | | 0.41 | 18.09 | |
| | Counterpart Grant | | | 0.08 | | |
| | S/NIS/C Admin & Program Support | | | 4.25 | | |
| FY 1995 TOTAL | | 13 | 975 | 10.69 | 77.12 | 87.81 |
| 1996 | Airlift | 15 | | 0.79 | 19.63 | |
| 1996 | Surface | | 730 | 3.78 | 66.51 | |
| | S/NIS/C Admin & Program Support | | | 0.43 | | |
| FY 1996 TOTAL | | 15 | 730 | 5.00 | 86.14 | 91.14 |
| 1997 | Airlift | 6 | | 0.28 | 8.08 | |
| 1997 | Surface | | 372 | 1.96 | 41.36 | |
| | Counterpart Grant | | | 0.25 | | |
| | S/NIS/C Admin & Program Support | | | 0.74 | | |
| FY 1997 TOTAL | | 6 | 372 | 3.23 | 49.44 | 52.67 |
| 1998 | Airlift | 8 | | 0.35 | 5.67 | |
| 1998 | Surface | | 224 | 0.93 | 33.85 | |
| | Counterpart Grant | | | 0.06 | | |
| | S/NIS/C Admin & Program Support | | | 0.26 | | |
| FY 1998 TOTAL | | 8 | 224 | 1.60 | 39.52 | 41.12 |
| 1999 | Airlift | 6 | | 0.58 | 13.39 | |
| 1999 | Surface | | 544 | 1.84 | 63.17 | |
| | Counterpart Grant | | | 0.04 | | |
| | Project Hope (Kharkiv Hosp) | | | 0.06 | | |
| | IMC (Kharkiv Hosp) | | | 0.12 | | |
| | Heart to Heart Int'l | | | 0.04 | | |
| | S/NIS/C Admin & Program Support | | | 0.58 | | |
| FY 1999 TOTAL | | 6 | 544 | 3.27 | 76.56 | 79.83 |
| 2000 | Airlift | 5 | | 0.05 | 1.19 | |
| 2000 | Surface | | 280 | 1.17 | 45.61 | |
| | Counterpart Grant | | | 0.09 | | |
| | Hellenic/Counterpart | | | 0.52 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | IMC | | | 0.16 | | |
| | S/NIS/C Admin & Program Support | | | 0.26 | | |
| FY 2000 TOTAL | | 5 | 280 | 2.28 | 46.80 | 49.07 |
| CUMULATIVE TOTAL | | 71 | 3984 | 33.48 | 463.38 | 496.86 |

COORDINATOR'S OFFICE HUMANITARIAN ASSISTANCE TO UZBEKISTAN

The following is a listing of humanitarian assistance funded by the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C), including air and surface transportation of U.S. Government excess property and privately donated commodities (food, clothing and medical supplies/equipment), grants and special projects. (Values are in millions of dollars.)

| <u>FISCAL YR.</u> | <u>METHOD</u> | <u>FLIGHTS</u> | <u>CONTAINERS</u> | <u>TRANSPORT/GRANTS</u> | <u>CARGO VALUE</u> | <u>TOTAL</u> |
|-------------------------|---------------------------------------|----------------|-------------------|-------------------------|--------------------|---------------|
| 1992 | Airlift | 12 | | 1.12 | 9.58 | |
| 1992 | Surface | | 0 | | | |
| | Operation Provide Hope II (Food&Med.) | | | 0.10 | 1.85 | |
| | S/NIS/C Admin & Program Support | | | 0.47 | | |
| FY 1992 TOTAL | | 12 | 0 | 1.69 | 11.43 | 13.12 |
| 1993 | Airlift | 4 | | 0.31 | 4.68 | |
| 1993 | Surface | | 3 | 0.03 | 0.16 | |
| | S/NIS/C Admin & Program Support | | | 0.17 | | |
| FY 1993 TOTAL | | 4 | 3 | 0.51 | 4.84 | 5.35 |
| 1994 | Airlift | 1 | | 0.14 | 1.29 | |
| 1994 | Surface | | 33 | 0.21 | 1.81 | |
| | S/NIS/C Admin & Program Support | | | 0.08 | | |
| FY 1994 TOTAL | | 1 | 33 | 0.43 | 3.10 | 3.53 |
| 1995 | Airlift | 0 | | | | |
| 1995 | Surface | | 49 | 0.37 | 2.36 | |
| | S/NIS/C Admin & Program Support | | | 0.24 | | |
| FY 1995 TOTAL | | 0 | 49 | 0.61 | 2.36 | 2.97 |
| 1996 | Airlift | 2 | | 0.10 | 5.60 | |
| 1996 | Surface | | 45 | 0.36 | 3.25 | |
| | S/NIS/C Admin & Program Support | | | 0.04 | | |
| FY 1996 TOTAL | | 2 | 45 | 0.50 | 8.85 | 9.35 |
| 1997 | Airlift | 5 | | 0.36 | 7.60 | |
| 1997 | Surface | | 234 | 0.32 | 2.10 | |
| | Counterpart Grant | | | 0.04 | | |
| | DoD Excess Hospital (Tashkent-Sep'97) | | | 1.05 | 13.03 | |
| | S/NIS/C Admin & Program Support | | | 0.53 | | |
| FY 1997 TOTAL | | 5 | 234 | 2.30 | 22.73 | 25.03 |
| 1998 | Airlift | 2 | | 0.05 | 0.15 | |
| 1998 | Surface | | 18 | 0.13 | 4.44 | |
| | Counterpart Grant | | | 0.09 | | |
| | S/NIS/C Admin & Program Support | | | 0.06 | | |
| FY 1998 TOTAL | | 2 | 18 | 0.33 | 4.59 | 4.92 |
| 1999 | Airlift | 8 | | 0.36 | 15.85 | |
| 1999 | Surface | | 75 | 0.50 | 13.16 | |
| | Counterpart Grant | | | 0.15 | | |
| | Heart to Heart Int'l | | | 0.25 | | |
| | S/NIS/C Admin & Program Support | | | 0.20 | | |
| FY 1999 TOTAL | | 8 | 75 | 1.46 | 29.01 | 30.47 |
| 2000 | Airlift | 3 | | 0.19 | 10.32 | |
| 2000 | Surface | | 68 | 0.50 | 17.23 | |
| | Counterpart Grant | | | 0.14 | | |
| | Counterpart Small Medium | | | 0.03 | | |
| | S/NIS/C Admin & Program Support | | | 0.11 | | |
| FY 2000 TOTAL | | 3 | 68 | 0.97 | 27.55 | 28.52 |
| CUMULATIVE TOTAL | | 37 | 525 | 8.81 | 114.46 | 123.27 |

CROSS-SECTORAL / OTHER PROGRAMS

THE EURASIA FOUNDATION

The Eurasia Foundation, which was established in 1993 with a major grant from USAID, promotes democratic and market economic reform at the grassroots level in the twelve NIS countries. The Foundation is privately managed and field-driven, and has built its reputation on the ability to offer a quick and flexible response to needs identified by NIS organizations and to reach areas often untouched by other Western donors. While its primary tool for providing assistance is an open-door grants program, the Foundation also employs grants competitions to target certain priority areas on a regional basis. Over the past seven years, the Foundation has used funding from USAID and other sources to award nearly 5,000 grants totaling more than \$100 million, including 548 grants totaling over \$9.75 million in FY 2000.

Since its inception, the Foundation has raised nearly \$30 million in non-U.S.-Government funds from foundations, foreign governments, corporations and private citizens. The Foundation continues to expand its donor base, having raised over \$7 million from non-U.S. Government sources in FY 2000. Major donations in FY 2000 included \$2.5 million from the Open Society Institute for the Media Viability Fund (MVF), \$615,000 from the Swiss Government for MVF, \$500,000 from the Swedish Government for MVF, \$1 million from the Starr Foundation for the Economic Education and Research Consortium (EERC), \$700,000 from the World Bank for EERC, \$200,000 from the Norwegian Government for the small grants program in northwestern Russia, and a \$250,000 donation from the Lincy Foundation for Eurasia Foundation's Small Business Loan Program in Armenia.

The Eurasia Foundation is headquartered in Washington, D.C., and has country and regional offices in Almaty, Baku, Kiev, Moscow, Saratov, Tashkent, Tbilisi, Yerevan and Vladivostok. The Baku office was opened and staffed in FY 2000.

Strategic Approach

In FY 2000, the Foundation continued to build on its strategic planning work begun in FY 1999. This process yielded a new and improved conceptual framework—emphasizing outcomes rather than activities—that now guides the Foundation's allocation of resources. The new conceptual framework focuses the Foundation's grant-making in three program areas: (1) accelerated development and growth of private enterprise; (2) more effective, responsive and accountable local government; and (3) increased citizen participation in political and economic decision-making. Grants made in these three program areas are intended to promote both democratic institutions and private enterprise simultaneously. This linkage reflects the Foundation's belief that developing market-oriented democracies is an interdependent long-term process.

Examples of FY 2000 Grants

Accelerated Development and Growth of Private Enterprise: Examples of Foundation grants made in this program area in FY 2000 include the following:

- \$23,138 to the Djizzak Business Incubator in Uzbekistan to establish an information and consulting center for farmers. The center would house a library, develop training programs, and conduct seminars on topics such as marketing, access to overseas markets, and taxation.
- \$32,290 to the Securities Industry Association of Georgia to disseminate information about the securities market in Georgia. Activities under this grant include: publishing a professional bulletin, compiling and analyzing securities legislation, and printing an insert for a popular newspaper.
- \$10,592 to the Kyrgyz Academy of Management to improve the standards and competitiveness of local businesses by conducting training programs on Total Quality Management (TQM).
- \$34,972 to the Agency for Information Support of Innovative Activity in Central Russia to improve the ability of small business to commercialize products for which they own intellectual property rights by providing a broad range of educational, consulting, and informational services. A series of seminars and individual

consultations on legal, marketing, and commercialization issues will improve the qualifications of managers of nearly 200 local small businesses.

- \$33,579 to the Center for Professional Management and Computer Technologies in Russia to increase access of small businesses to internationally accredited business education programs, through the conversion of a course on business planning and investment projections to a distance learning format.

More Effective, Responsive, and Accountable Local Government: Examples of Foundation grants made in this program area in FY 2000 include the following:

- \$33,004 to the Municipal Servants Training Center to support the creation of a training program for government workers in municipal economics, administration, financial accounting and tax management.
- \$2,999 to the Center for the Support of Democracy in Kazakhstan to increase public participation in government decision making by supporting a grassroots campaign on local self-governance.
- \$34,999 to the Horizonti Foundation in Georgia to prevent corruption through the promotion of citizen participation in governmental decision making processes. The training will include group seminars, individual consulting services and ongoing monitoring.
- \$28,032 to the Ozurgeti *Sakrebulo* (Local Council) to install a computer system to support a database on socioeconomic indicators in the region. Representatives of village councils in the district will be trained in methods and regulations for budget development.
- \$2,786 to the Akhundov State Library of Azerbaijan and the Association of Information Specialists of Georgia to continue a grant from FY 1999 to create a regional network for librarians and information specialists.

Increased Citizen Participation in Political and Economic Decision-Making: Examples of Foundation grants made in this program area in FY 2000 include the following:

- \$2,980 to the Ferghana Branch of the Consumers' Rights Protection Society in Uzbekistan to support a favorable tax environment for nonprofit organizations by assisting in the establishment of partnerships between NGOs and businesses. The Society will hold two roundtables, produce a booklet, and publish a series of articles on private sector philanthropy.
- \$22,828 to the Bridge of Friendship to support increased dialogue on issues of regional importance for citizens in the South Caucasus. The project will produce weekly radio programs and organize training programs for participating journalists and technical staff. The project will also prepare a radio bridge between radio stations in the Azerbaijan, Armenia, and Georgia.
- \$12,830 to the Nevsky Angel Charity Society to promote citizen involvement in community-problem solving through the development and implementation of new models aimed at enhancing volunteerism.

Targeted Initiatives

In addition to its grant-making programs, the Foundation currently manages three special initiatives—the Small Business Lending Program, the Economics Education and Research Consortium, and the Media Viability Fund—which are designed to encourage a more rigorous small business sector, improved professional economic policy research, and financially independent media, respectively.

Small Business Lending Program (SBLP): The SBLP provides loans to small and medium-sized businesses in Armenia and Ukraine. The program provides capital to the fledgling private sector and intensive, hands-on training to participant bank lenders in credit analysis and collection methodology. June 16, 2000 marked the fifth anniversary of the Armenia SBLP. In FY 2000, the Armenia SBLP disbursed and/or approved 32 loans totaling \$921,776 and creating 169 jobs. The increase in number of loans over FY 1999 can be attributed to two new partner banks added to the program during FY 2000, which enabled the program to expand its geographic reach to include southern Armenia. In FY 2000, the Ukraine SBLP experienced a dramatic increase in its

activity over the previous fiscal year. For FY 2000 the program disbursed 15 loans totaling \$865,000 and created 144 jobs. Of this amount, \$532,000 was disbursed to businesses based in Lviv.

Economics Education and Research Consortium (EERC): The EERC was created in 1996 to encourage professional policy research and improved economic policy-making in Ukraine and Russia. In Ukraine, the EERC supports a master's degree program in economics at the University of Kyiv-Mohyla Academy. In Russia, the EERC supports small research grants and a series of complementary activities that help build a professional community of Russian economists. Now in its fifth year of operations, EERC is building domestic capacity for formulating sound economic policy through its core programs in Russia and Ukraine and a research network now spanning the entire NIS.

Media Viability Fund (MVF): A joint effort with the Soros-funded Media Development Loan Fund, the MVF strengthens independent media in Russia and Ukraine through loans to newspapers for equipment and small grants for technical support and management training. In FY 2000, the MVF held an advertising seminar and conducted management training programs in newsroom structure and accounting for newspaper personnel.

Special Projects

Media Strengthening Program (MSP): The mission of the Media Strengthening Program is to create viable alternatives to government monopoly in the Armenian news media. The project seeks to strengthen independent print media, promote the free flow of news and information, and reduce the potential for government control of the media sector. With a loan and grant package of \$800,000 from the Eurasia Foundation, the Goss Community printing press was transported to Armenia and became fully operational in FY 2000. At the close of FY 2000, the alternative, commercially-based, service-oriented printing press had nine newspaper clients.

South Caucasus Cooperation Program (SCCP): To help overcome the political and economic obstacles to regional integration, the Eurasia Foundation's South Caucasus office has created a program to ease cross-border tensions that have impeded the democratic development and economic integration of the region. Designed to facilitate greater contact and cooperation among leading organizations in Armenia, Azerbaijan, and Georgia through support for cross-border projects in areas such as business development, legal reform, civil society building, and public administration, the SCCP made 57 grants totaling \$27,732 in FY 2000. Through its grant-making and communication-enhancement activities, the SCCP is a catalyst for greater cooperation and acceleration of the region's transition to democracy and a market economy. The impetus for the program came from Eurasia Foundation grantee organizations with established track records for progressive, reform-oriented work in their own countries. These organizations had expressed a common desire to increase collaboration to solve mutual problems and promote regional development. A highlight of FY 2000 grant-making was a collaborative grant made to the freight forwarding associations to harmonize freight forwarding and transportation legislation in the three countries. The SCCP was launched in 1998 and was previously called the Synergy Program.

PEACE CORPS

Following the collapse of the Soviet Union, the Peace Corps was invited to send Volunteers into eight of the NIS countries (Armenia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Turkmenistan, Ukraine and Uzbekistan) to help facilitate their transition to market-oriented democracies. In the Spring of 2001, Peace Corps is planning to send its first group of Volunteers into the Republic of Georgia. In responding to these requests, Peace Corps Volunteers (PCVs) have helped overcome the historically limited contact between U.S. and NIS communities, and have established and strengthened new bonds of friendship and cross-cultural understanding by addressing issues of mutual concern at the grass-roots level – one community at a time. PCVs have helped build institutional and human capacity in these transitional economies, while changing the perceptions of their NIS host communities and counterparts regarding the United States and the American people. After returning home from their Peace Corps experience, Volunteers have also helped educate Americans about the people and cultures of the NIS.

Small Business Development Programs: Volunteers in eight of the Peace Corps' NIS country programs are promoting small-business development either through business education, community economic development or micro-enterprise development projects. While several of these countries have made considerable strides in adapting to a market-based economic system, economic reforms throughout the NIS have been frustrated by a lack of understanding at the individual and institutional levels with respect to basic assumptions, structures and skills required to operate in a free-market economy. To make matters worse, many of the region's economies continue to suffer greatly from unstable monetary systems, reliance on antiquated technologies, and inconsistent legal and business practices that discourage local and foreign investment. The need for tangible business skills at the grassroots level—the level at which PCVs focus their activities—is evident in the establishment of numerous local entrepreneurial associations and the widespread demand for free-market business education in NIS secondary schools, universities and institutes. PCVs are working on economic development, business education and agribusiness projects, disseminating information about new economic laws to entrepreneurs and local businesses, and emphasizing the concepts involving use of the information technology as a strategic business tool. PCVs work with a variety of institutions, including business advisory centers, local governments, educational institutions, non-governmental organizations, and local community business associations. Volunteers have partnered with other local NIS organizations to provide Internet training and access to students, municipalities expanding tourism opportunities, NGOs supporting local artisans, and other entrepreneurs. This has resulted in unprecedented international exposure for the groups' marketing and networking efforts. PCVs have also facilitated capacity building activities at local training centers increasing the technological competence of the local work forces in computer and Internet applications.

Teaching English as a Foreign Language (TEFL): English is increasingly viewed as the language of international commerce, tourism, science and technology. The demand for English language training remains strong in the NIS, as it becomes increasingly clear that integration into the global economy will require a cadre of English-speaking professionals who can access the wealth of technical and scientific information available in English. With the Russian language in decline as the primary language studied in the region, English language instruction has become a higher priority. Unfortunately, many students lack opportunities for English language study due to a shortage of qualified English teachers, a gap that PCVs are filling while local capacity is being developed. In addition to their teaching responsibilities, PCVs in classrooms are able to tap into existing education structures in the NIS countries and conduct secondary activities that benefit under-served children in orphanages and handicapped centers and enhance leadership and decision-making skills for promising students, while increasing their English competency. With the active support of PCVs, host countries are seeking to improve the overall quality of their education systems by introducing new methods of teaching and by integrating modern technology and materials in the classroom.

Environmental Programs: PCVs in the NIS, regardless of their project assignment, are involved in the important work of environmental education and protection. Pollution and environmental degradation are common problems in the area, with large portions of the NIS countries' air, water and land resources contaminated or at-risk. Clear-cutting of forests, unwise use of natural resources, and industrial, chemical and nuclear pollution are causes for local, regional and international concern. The economic hardships that have occurred during the transition to market-based economies have placed tremendous pressure on the NIS governments to pursue development policies that maximize short-term economic gains without regard to environmental conservation. Meanwhile, environmental organizations are hindered in their attempts to address these problems by inadequate access to technical information and limited knowledge of potential funding opportunities. PCVs are working to help reverse these trends by helping to raise public awareness of environmental issues and concerns, especially through the school systems. Volunteers are also playing a role in protecting national and community parks by improving community access to environmental educational resources, and encouraging local environmental restoration projects. PCVs have conducted environmental education programs throughout the region, including Earth Day-related activities and GLOBE teacher training sessions on environmental science protocols, with thousands of students and community members participating in public awareness campaigns, clean-up projects, tree-planting efforts, and environmental summer camps, which also provide an opportunity to improve English language skills and learn about American culture. The community interest generated through these activities touches on all program sector areas.

NGO Development Programs: The strengthening of non-governmental organizations (NGOs) is another area in which PCVs are playing a critical role. The government-provided social safety net that existed under the Soviet system, especially pension and health care programs, has collapsed and has not yet been replaced with

functioning systems. In lieu of governmental action, a burgeoning civil society has materialized, comprised of an array of non-profit organizations and NGOs. These organizations, still in their infancy and burdened with a historical legacy of dependency, face difficult challenges of structure, direction, and material support. The need for the introduction of fresh management approaches and techniques has become more acute than ever. In this capacity, PCVs have stepped in to support the development of local organizations, giving voice to environmental and women's groups, local chambers of commerce, and parent-teacher associations – providing management and leadership training opportunities that their governments do not have the resources to address.

Health Education Programs: In the last several years, the Peace Corps has increased its programmatic involvement in health education in the NIS. Upon gaining independence, the NIS countries inherited a centralized health-care system that was woefully inadequate. Emphasis was placed on curative, rather than preventive, care and the NIS countries' deteriorating health infrastructure, combined with environmental and economic problems, led to an increase in health disorders linked to pollution, and an increase in social afflictions such as drug and alcohol abuse, particularly among youth. As the NIS countries make the transition towards decentralized, privatized health-care systems, PCVs in rural and urban centers are helping to increase community awareness of these and other health issues (including HIV), and are assisting health professionals to attain creative methodologies that promote healthy behavior among the populace. In response to an overall Peace Corps agency initiative, Volunteers in Armenia and Ukraine, regardless of their primary project assignment, have begun conducting HIV/AIDS education workshops in collaboration with the Ministry of Health, NGOs, and women's and youth groups. Healthy behavior, including HIV awareness, among young people has been encouraged using peer education models. As a result of this, and similar initiatives, the implementation of new health projects focusing on HIV/AIDS education and/or youth-at-risk will follow in the near future.

FY 2000 Peace Corps Programs in the NIS

| | |
|--|---|
| Armenia | Russia (Vladivostok) |
| Business Education | Teaching English as a Foreign Language |
| Community Development | |
| Teaching English as a Foreign Language | Russia (Moscow) |
| NGO Development | Teaching English as a Foreign Language |
| Community Health Education | Business Education |
| | Small Business Development |
| Georgia | |
| Teaching English as a Foreign Language | Turkmenistan |
| | Teaching English as a Foreign Language |
| Kazakhstan | Community Health Education |
| Small Business / Economic Development | Business Education & Micro-Enterprise Development |
| English Education / Resource Development | |
| Teaching English as a Foreign Language | |
| Environmental Education | Ukraine |
| Public Health | Environmental Protection |
| | Business and NGO Development |
| Kyrgyzstan | Teaching English as a Foreign Language |
| Sustainable Economic Development | |
| NGO Development | Uzbekistan |
| Teaching English as a Foreign Language | Teaching English as a Foreign Language |
| | Business Education and Development |
| Moldova | Education and Resource Development |
| Agribusiness | Health Education |
| Organizational Development (NGOs) | |
| Teaching English as a Foreign Language | |
| Health Education | |

Small Projects Assistance (SPA) Program

The Peace Corps' Small Projects Assistance (SPA) Program awards small community grants in support of Peace Corps volunteer (PCV)-implemented activities that help strengthen civic organizations, small businesses, educational institutions and NGOs. In addition to the grants, SPA also provides resources and support for technical assistance to bolster the capacity building skills of host-country citizens in the areas of technical expertise, community and NGO development and small project design and management. Since its inception in FY 1996, the New Independent States (NIS) component of the SPA Program has expended over \$1.66 million to help build institutional capacity at the grassroots level. In FY 2000 alone, the SPA Program authorized 230 grants totaling \$433,250 in the eight participating NIS countries. Grants averaged approximately \$1,900, ranged from \$200 to \$7,000 per activity, and furthered the goal of host-country sustainability by requiring significant local contributions to the approved activities.

As in prior years, the majority of SPA-funded activities in FY 2000 were in the area of education, particularly assisting community schools to enhance their educational resource centers and upgrade their libraries and language learning laboratories to include computer, photocopy and audio-visual equipment. While SPA funds are available to assist communities in acquiring computers and software, the community matching funds provide the resources for Internet access and related costs, allowing students and teachers to acquire new instructional materials and to network with other learning institutions at both the national and international level. SPA resources also strengthened educational opportunities within communities by supporting enhancement of teacher training skills, as well as the construction and renovation of school buildings, classrooms and community resource centers. With SPA support, community and school groups organized youth camps focusing on leadership, environmental awareness and English-language immersion. Grants were also used to strengthen educational opportunities through the acquisition of new instructional books and materials.

Besides supporting education, local communities also used SPA funds to improve the environment, to assist in the provision of basic health and sanitation services, to strengthen local NGOs through capacity building training and resource procurement, to assist at-risk youth development activities (including support for orphans and the handicapped), and to promote girls' education through locally organized leadership and life-skills training.

A breakdown of SPA grants and technical assistance is provided below:

| COUNTRY | FY 2000 SPA Grant Expenditures | FY 2000 Total SPA Expenditures* | Cumulative Expenditures FY 1996-2000 |
|------------------|--------------------------------------|---------------------------------------|--|
| Armenia | \$39,970 | \$39,970 | \$152,924 |
| Kazakhstan | \$90,711 | \$104,011 | \$233,218 |
| Kyrgyzstan | \$11,756 | \$21,556 | \$67,190 |
| Moldova | \$50,000 | \$64,000 | \$178,201 |
| Western Russia | \$58,365 | \$65,865 | \$258,019 |
| Russian Far East | \$39,919 | \$39,919 | \$145,399 |
| Turkmenistan | \$14,687 | \$28,487 | \$138,242 |
| Ukraine | \$99,404 | \$111,704 | \$391,624 |
| Uzbekistan | \$28,438 | \$36,038 | \$97,594 |
| TOTAL | \$433,250 | \$511,550 | \$1,662,411 |

* Total includes SPA grant funds, as well as funding support for technical assistance activities.

In FY 2000, 62 percent of SPA grant-funded activities in the NIS region were in the area of education, 10 percent in environment, six percent in health, 13 percent in small-business development, three percent in youth activities and six percent in local NGO development. A summary of FY 2000 SPA grants is provided below:

Armenia: Twelve grants were awarded in the areas of education (11 grants) and business development (one grant). Of the eleven education-related grants, five included components of information technology training or equipment purchases.

Kazakhstan: Forty grants were awarded in the areas of education, providing support for teacher training and resources for curriculum and lesson plan development (23 grants); health awareness and education, including local capacity building in first aid and basic health and hygiene preventative care (two grants); NGO support and income generation (seven grants) providing resources to local NGOs in capacity building and basic management skills; environmental education (one grant); small business development (five grants) through locally organized entrepreneur education training, resource and information center support and Internet training; and youth development (two grants) assisting orphaned and disadvantaged youth.

Kyrgyzstan: Four grants were awarded in the areas of education (two awards) and small business development (two awards).

Moldova: Fifteen grants were awarded in the areas of education (seven grants), primarily in assisting communities upgrade their classroom facilities; health clinic renovations (two grants); youth resource centers (two grants); and agri-business development (four awards) providing assistance to small farmers in developing marketing strategies for their produce, as well as providing demonstration models of adapted greenhouse production techniques.

Russia – Moscow: Thirty-eight (38) grants were awarded, including education (26 grants) supporting English language programs through equipping learning labs, sponsoring competitions, and improving classroom skills of local teachers; grants in the business sector (nine grants) supported business information centers with computer and software acquisitions, computer training and applied business education skills; the youth sector received a grant to provide life-skills training to handicapped youth; in the health sector, a grant was also approved for the training of local clinical staff in working with victims of domestic violence; in the area of NGO development, a grant was awarded for training NGO staff members in business and financial management skills.

Russian Far East: Twenty-three (23) grants were awarded in the areas of education (17 grants) and environment (six grants).

Turkmenistan: Nine grants were awarded in education, primarily to support English-language educational camps (five grants); and health (four grants) promoting locally organized health and hygiene awareness activities.

Ukraine: Seventy-six grants were approved in support of activities focusing on small business (seven grants); education (44 grants); environment, including biodiversity and environmental education (15 grants); health and HIV/AIDS education (two grants), youth and orphans (two grants) and local NGO development (six grants). Support for resource centers, as either elements of formal schools or as community centers, continued, with assistance being provided for the acquisition of previously unavailable English textbooks on information technology options, language instruction, teaching methodologies and seminars on information technology, how to access and make use of information through the Internet. Cross-sectoral community activities were encouraged, blending business, environment and health topics into activities coordinated by local NGOs. Of the seventy-six activities, twenty-four included some form of a training workshop or seminar focusing on local capacity building.

Uzbekistan: Thirteen grants were awarded in support of education (nine grants), health (two grants), and business development (two grants). In the area of education, activities supported teacher training and capacity building. In the health sector, activities supported community efforts to provide a safe water source to a clinic and to provide educational materials for clinic outreach programs. In the area of business development, activities included local training in the use of computers, Internet applications and equipment support for a business and career center.

U.S.-ISRAEL COOPERATIVE DEVELOPMENT PROGRAM (CDP)

The USAID-supported U.S.-Israel Cooperative Development Program (CDP) was formally established in 1988 to fund the delivery of Israeli technical assistance and training to address a broad range of developing-country assistance requirements for which Israeli expertise was considered particularly well-suited. In 1992, a special initiative for Central Asia (CDP/CAR) extended program operations to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, with CDP/CAR coverage extended to Georgia in 1993.

The CDP provides U.S. funds for the activities of MASHAV, the development assistance unit of the Government of Israel's Ministry of Foreign Affairs. The program is implemented by MASHAV as part of its own foreign assistance portfolio. Proposed activities may be based on requests from the host countries, or identified by MASHAV or USAID. Given Israel's expertise and experience, the principal focus of the program is agriculture and related areas, with an emphasis on soil and water management, intensive livestock husbandry and vegetable production, irrigation systems management, and farm management. The program has been implemented primarily through training courses, consultancies, and demonstration farms. More recently, the CDP has emphasized agricultural economics and the development of sustainable private sector enterprises. The FY 2000 budget for CDP/CAR was approximately \$ 1.4 million, with USAID contributing two-thirds and MASHAV contributing one-third of that total.

In FY 2000 a total of 127 U.S.-funded trainees attended 13 training courses in Israel. During that same period, 11 in-country agricultural and business training courses were held throughout the region. In addition, eight short-term consultancies were supported in the areas of agriculture, horticulture, apiculture, forestry, and small business development. Six agricultural experts were also supported on long-term assignments on demonstration farms.

Emphasis on dairy production continued. This included the adoption by local farmers of CDP demonstration farm practices, such as improved dairy cow diets using locally available inputs, emphasis on high value products with local demand such as cheeses and yogurts, and privately owned dairy processing units serving groups of independent individual farmers, as an alternative to sole reliance upon state-run enterprises. Field crops and irrigation management practices continued to be emphasized at other demonstration sites.

In keeping with the program's increased emphasis on privatization and the economic feasibility of agricultural technologies, MASHAV operated CDP-funded Agribusiness Centers in Kazakhstan, Kyrgyzstan, and Georgia. They were staffed with visiting Israeli experts and local professional coordinators who assisted private farmers with their business plans and provided them with information on markets and technologies.

In FY 2001, the CDP block grant approach, providing U.S. core funds for MASHAV activities in the region is being phased out in favor of a new, more effective partnership between MASHAV and USAID based in the field. MASHAV has been developing projects directly with the USAID Regional Mission in Central Asia, which is responsible for the U.S. assistance strategy in the region. Separate from CDP, MASHAV is preparing to implement the first of these Mission-funded projects.

U.S.-ISRAEL COOPERATIVE DEVELOPMENT RESEARCH PROGRAM (CDR)

The USAID-funded U.S.-Israel Cooperative Development Research (CDR) Program was established in 1985 to support joint applied research projects involving Israeli scientists and their counterparts in developing countries, allowing them to work on significant problems facing the developing countries. In 1992, a special initiative extended the program to Kazakhstan, Kyrgyzstan, Turkmenistan, Uzbekistan, and Georgia. This initiative focuses on research in arid lands agriculture—an area of Israeli strength and particular need in Central Asia—and includes projects in water management and environmental protection as well as agronomy and livestock management. Like the rest of the CDR Program, this initiative in Central Asia and Georgia (CDR/CAR) does not stress the economic development of Israel, but emphasizes areas in which Israeli research interests and expertise are particularly valuable to the target countries.

The CDR/CAR Program has the following objectives: 1) to provide limited assistance to maintain the scientific communities in Central Asia and Georgia; 2) to provide financial and technical assistance for research directed toward basic needs of the people in the region; 3) to expose the NIS scientific community to the Western-style

system of competitive institutional grants; 4) to utilize Israeli expertise and practical scientific methods, primarily in the management of science and technology in improving agriculture; 5) to establish multiple independent links between the people of this historically Muslim region and Israel; and 6) to link the formerly isolated scientific community of the region with the world scientific community.

Since 1993, CDR/CAR has awarded over 68 research grants, with the maximum size being \$150,000, a figure that does not include the considerable matching funds provided by Israeli research institutions. Projects are chosen from proposals jointly authored by Israeli and target county scientists, and selections are made by USAID on the advice of peer review panels composed of U.S. scientists. U.S. scientists are also eligible to participate in CDR/CAR projects as funded third partners.

A number of technical achievements were reported in FY 2000, including better diagnosis of poultry diseases from elucidating the genetic, immunological, and ecological relationships of several strains of bird viruses in Kazakhstan, greater ability to reduce toxic levels of boron for plant growth in saline soils by use of zinc and organic matter in Kazakhstan, better disease control from the inhibition of disease-causing fungi growth on fruits and vegetables using several bacterial strains in Uzbekistan, better plant disease diagnosis from the isolation and identification of several disease-causing fungal organisms of crops found for the first time in Uzbekistan, new ways to control erosion using polyacrylamide and surge irrigation techniques in Kazakhstan and Kyrgyzstan, better plant disease diagnosis through detection of a disease-causing bacterial strain affecting cabbage using a new PCR method in Kazakhstan, preserving genetic diversity by establishing a new living collection of unique native varieties of onion and garlic in the Botanical Garden in Tashkent, Uzbekistan, improved environmental assessment of heavy metals and organic pollutants through analysis of sediment transport and human impacts on Lake Issyk-Kul in Kyrgyzstan, improved methods for removal of heavy metals from contaminated soils by determining the biochemical responses of several plant species to heavy metals in Kazakhstan, greater biological control of fungus disease in tomatoes through the use of bacterial strains with anti-fungal activity in Uzbekistan, preserving genetic diversity of commercially important plants through development of molecular techniques to analyze the genetic diversity of pistachio and relatives in Turkmenistan, and increased crop yields in saline soils using beneficial fungi and a nitrogen-fixing bacteria strain isolated from native plants in Uzbekistan.

In addition to technical discoveries, the CDR Program has provided valuable links to otherwise isolated scientific communities in Central Asia and Georgia. It has funded research equipment, international travel, periodicals, and access to electronic mail. The training of students from the region, both in their home countries and in Israel, is a key part of nearly every CDR grant. The program has also provided many institutions with their first exposure to a competitive, Western-style research grant, and this in turn has created the impetus for banks in the region to establish accounts and transfer procedures more consistent with modern practices. The FY 2000 budget for CDR/CAR was \$1.5 million.

U.S. SUPPORT FOR INTERNATIONAL FINANCIAL INSTITUTIONS

In addition to bilateral assistance from the United States and other donors, the NIS countries continued to draw upon the support of international financial institutions (IFIs) in FY 2000. The three international financial institutions most active in the region—the International Monetary Fund (IMF), the World Bank and the European Bank for Reconstruction and Development (EBRD)—have played a key role in the aftermath of the August 1998 Russian financial crisis. The NIS economies collectively have improved since 1998. Russia has enjoyed strong growth driven by a sharp devaluation following the financial crisis, recent high prices for its oil and gas exports, and improved fiscal management and economic policy reform. Devaluation of the Ukraine currency, coupled with Russia's strong recovery, has supported export-led growth in Ukraine. Though the pace of reform has lagged in most of the other NIS countries, oil and gas exporters among them have benefited from high prices as well. The focus now is to maintain macroeconomic stability and undertake the structural reforms necessary to make the economic recovery last.

International Monetary Fund (IMF)

In the years following the dissolution of the Soviet Union, most NIS countries successfully stabilized their economies with the help of short-term financial assistance and policy advice from the IMF. IMF resources have encouraged NIS countries to undertake needed structural reforms, reduce inflation, avoid balance-of-payments

problems, and lay the foundations for economic growth. In order to receive IMF financial support, the NIS countries have agreed to implement economic reform programs. Disbursed in tranches, IMF loans are conditional on the observance of reform-oriented economic criteria. In addition to financial assistance, the IMF administers an extensive technical assistance program in the NIS. The IMF also works closely to coordinate its programs with those of other IFIs, such as the World Bank and EBRD.

In July 1999, the Russian Government and the IMF reached agreement on a new program designed to help Russia resolve the long-standing problems that led to the August 1998 financial crisis. The program was designed to provide some \$4.5 billion in assistance over a 18-month period. Although one \$642 million disbursement was made under this program, Russia has not received additional disbursements because of its failure to meet the conditions of the loan. The program expired on January 2, 2001 with no successor arrangement in place.

In early 1999, there were allegations of misappropriation of IMF disbursements by Russian authorities. Investigations by the IMF and PriceWaterhouseCoopers (PWC) found no evidence to substantiate these changes. Nevertheless, in September 1999, the G-7 called for the inclusion of safeguards for Russian use of funds from the IMF. Under the 18-month program approved in July 1999, IMF disbursements to Russia may only be used to cover Russia's debt service to the IMF, and never even technically leave the IMF's accounts in Washington, D.C.

European Bank for Reconstruction and Development (EBRD)

The EBRD was established in March 1991 to support market-oriented economic reform and democratic pluralism in Central and Eastern Europe, including the NIS. All 12 NIS countries are members of the EBRD. The EBRD is unique among multilateral development banks in its private-sector focus and inclusion of political conditionality, which requires borrowing countries to be committed to multi-party, pluralistic, democratic government. According to its charter, the EBRD is required to devote 60 percent of its total resources to private-sector projects. In 1999, 75 percent of the EBRD's commitments were made to the private sector.

Russia's August 1998 financial crisis continued to have a profound impact on the EBRD's bottom line in 1999. During the previous year, the EBRD had experienced a net loss of €261 million, after provisions. (At end-1999, €1.00 = \$1.00.) As a result, the Bank's level of commitments in the first part of 1999 was low, but recovered rapidly toward the end of the year, ending at €2.2 billion for the year. However, the bulk of this increase was in the Bank's other members, with the NIS countries receiving only €0.9 in new commitments.

The EBRD's cumulative commitments through the end of December 1999 (the most recent published data) were €13.7 billion. Of these, €5.7 billion were to NIS countries, with Russia as the largest borrower. This figure does not include €553 million in regional projects, a number of which benefit the NIS as well. Cumulative commitments to Russia at the end of 1999 were €2.7 billion.

CUMULATIVE EBRD BOARD COMMITMENTS TO NIS THROUGH 12/31/99 (€millions)

| | <u>VALUE</u> | <u>NUMBER</u> |
|--------------|--------------|---------------|
| Armenia | 82 | 3 |
| Azerbaijan | 254 | 10 |
| Belarus | 170 | 7 |
| Georgia | 172 | 12 |
| Kazakhstan | 507 | 11 |
| Kyrgyzstan | 162 | 10 |
| Moldova | 133 | 12 |
| Russia | 2,723 | 85 |
| Tajikistan | 14 | 4 |
| Turkmenistan | 154 | 4 |
| Ukraine | 832 | 29 |
| Uzbekistan | 519 | 14 |
| Total | 5,722 | 201 |

Totals for individual countries reflect cancellations of previously approved projects and exchange rate variations, and cumulative totals may therefore be lower than in previous years. They represent approvals by the EBRD Board, not actual signed commitments or disbursements, which are lower.

The United States has an 11-percent share in the EBRD and is its largest single shareholder. U.S. contributions to the EBRD for its initial capital contribution were to be paid in five annual installments of \$70 million each. Except for FY 1991, appropriations fell short of the \$70 million, leaving the United States with arrears of more than \$80 million after the five-year period. These arrears were fully cleared in 1998.

In early 1996, the EBRD Board of Governors approved a doubling of the EBRD's total capital (paid-in plus callable) from ECU 10 billion to ECU 20 billion. This increase should put the Bank on a self-sustaining basis, with no future capital increases envisioned. In FY 1998, the United States began payments for the capital increase at a rate of approximately \$36 million per year over eight years.

U.S. CONTRIBUTIONS TO THE EBRD

| | |
|----------------|----------------------|
| FY 1991 | \$70 million |
| FY 1992 | \$69 million |
| FY 1993 | \$60 million |
| FY 1994 | \$0 |
| FY 1995 | \$69 million |
| FY 1996 | \$70 million |
| FY 1997 | \$12 million |
| FY 1998 | \$36 million |
| FY 1999 | \$36 million |
| <u>FY 2000</u> | <u>\$36 million</u> |
| TOTAL | \$458 million |

International Bank for Reconstruction and Development (IBRD), International Development Association (IDA)

The IBRD and IDA, the two largest parts of the World Bank Group, provide project and adjustment lending (balance-of-payments support based on policy reform) to developing countries. Poverty reduction and sustainable development are the central objectives of the World Bank's activities. The IBRD lends at near-commercial rates, while IDA provides credits to the poorest countries at highly concessional rates. Based on relative poverty and creditworthiness criteria, Armenia, Georgia, Kyrgyzstan, Moldova and Tajikistan are eligible to borrow only on IDA terms (the first four of the group were moved down to this category in June 2000), while Belarus, Kazakhstan, Russia, Turkmenistan, Ukraine, and Uzbekistan are eligible only for IBRD terms. Azerbaijan is in a small intermediate group of "blend" countries, eligible for both IDA and IBRD terms. During the World Bank's FY 2000 (July 1, 1999 through June 30, 2000), the IBRD and IDA approved \$489.2 million in loans to the NIS, an 85 percent decline in lending over the previous year. Much of the decline was a response to the slow pace of reform, though the World Bank has sought to remain engaged with the region through policy guidance and analytical support.

Funding for IBRD programs comes in large part from bond transactions in international financial markets. IDA programs, however, are largely funded through capital replenishments paid by donors. The United States is the largest contributor to IDA, with subscriptions and committed contributions of \$25.8 billion as of June 2000, equal to nearly 15 percent of the total. The IDA-12 replenishment of \$20.5 billion for the three-year period beginning June 2000 included a U.S. commitment of \$2.4 billion. The U.S. has covered 96 percent of its commitment due in the first two years of the replenishment, but is \$62 million in arrears.

U.S. DEPARTMENT OF STATE – PROGRAM FOR THE STUDY OF EASTERN EUROPE AND THE INDEPENDENT STATES OF THE FORMER SOVIET UNION (TITLE VIII)

Early in the 1980s, the Executive Branch, Congress, and the U.S. academic community pooled their efforts to create the Soviet-Eastern European Research and Training Act of 1983 (also known as Title VIII). The intent of the bill was to redress the diminishing supply of experts on this region by providing stable, long-term financing on a national level for advanced research; graduate and language training (domestic and on-site); public dissemination of research data, methods and findings; and contact and collaboration among Government and private specialists.

The Program for the Study of Eastern Europe and the Independent States of the Former Soviet Union (also known as the Title VIII Program) is guided by an advisory committee chaired by the Department of State and consisting of representatives of the Secretaries of Defense and Education, the Librarian of Congress, and the Presidents of the American Association for the Advancement of Slavic Studies and the Association of American Universities. The Assistant Secretary for Intelligence and Research chairs the advisory committee for the Secretary of State, which meets at least annually to recommend grant policies and recipients.

From 1985-1990, the U.S. Congress appropriated to the Title VIII Program about \$4.6 million annually in support of the activities listed above. In light of the dramatic changes in the region, Congress appropriated about \$10 million annually for FY 1991 to FY 1994. In Fiscal Years 1995, 1996, 1997, 1998 and 1999, the appropriation was \$7.5 million, \$5.0 million, \$4.2 million, and \$4.8 million respectively. FY 2000 funding was \$4.5 million (\$3.0 million for NIS-related activities, and \$1.5 million for East European activities).

Title VIII operates on the basis of a two-stage award process. First, the Department of State conducts an annual, open competition among U.S. national organizations with interest and expertise in administering research and training programs in the Russian, Eurasian, and East European fields. These organizations are to be national in scope and have in place broad selection and peer review mechanisms. A call for applications is published in the *Federal Register*. The Title VIII Advisory Committee reviews the applications and makes recommendations for grant recipients to the Secretary of State. Then, those approved by the Secretary serve as intermediaries for the funds by conducting their own open, national competitions to make awards to end-users, either individual scholars or other institutions. The list of FY 2000 Title VIII grant recipients for the NIS is provided below:

American Councils for International Education (ACIE, formerly known as ACTR/ACCELS)

Grant: \$420,000 (\$355,000 NIS, \$65,000 Eastern Europe)

Purpose: To support programs for advanced Russian language and area studies, languages of the NIS, Central and East European languages, individualized language training and research, Field Research Fellowships with the National Council for Eurasian and East European Research, and policy forums.

The William Davidson Institute of the University of Michigan Business School

Grant: \$170,000 (\$70,000 NIS; \$100,000 Eastern Europe)

Purpose: To support post-doctoral research fellowships on public policy affecting the development of markets in the Balkans and in Central Asia and the Caucasus.

University of Illinois at Urbana-Champaign

Grant: \$125,000 (\$95,000 NIS; \$30,000 Eastern Europe)

Purpose: To support the Summer Research Laboratory, which provides dormitory housing and access to the University's library for advanced research, and the Slavic Reference Service, which locates materials unavailable through regular interlibrary loan.

Institute of International Education (IIE)

Grant: \$100,000 (\$50,000 NIS; \$50,000 Eastern Europe)

Purpose: To support Professional Development Fellowships for young professionals in fields related to public service and civil policy in the Balkans and in Central Asia and the Caucasus.

International Research and Exchanges Board (IREX)

Grant: \$580,000 (\$315,000 NIS; \$265,000 Eastern Europe)

Purpose: To support its programs for individual advanced research opportunities, short-term travel grants, Black Sea and Caspian Sea regional policy symposia, dissemination, and policy forums.

National Council for Eurasian and East European Research (NCEER)

Grant: \$1,200,000 (\$900,000 NIS; \$300,000 Eastern Europe)

Purpose: To support the Research Contract and Fellowship Grant Programs for postdoctoral research, Policy Research Fellowships in the NIS and Central and East Europe, and the Ed. A. Hewett Fellowship Program to allow a scholar to work on a research project for a year while serving in a U.S. Government agency.

Social Science Research Council

Grant: \$775,000 (\$745,000 NIS; \$30,000 Eastern Europe)

Purpose: To support dissertation fellowships, advanced graduate fellowships, US-based institutional training in the languages of the NIS, the dissertation workshop on understudied regions, and postdoctoral fellowships.

The Woodrow Wilson Center for International Scholars

Grant: \$720,000 (\$470,000 NIS; \$250,000 Eastern Europe)

Purpose: To support the Research and Short-term Scholar Programs, internships, meetings, outreach and publications of the Kennan Institute for Advanced Russian Studies and the East European Studies of the European Program, including the Kennan's Workshop on the Role of Women in Post-Communist Transitions and the East European Program's Junior Scholars' Training Seminar.

IV. ASSESSMENTS OF PROGRESS IN MEETING THE STANDARDS OF SECTION 498A OF THE FOREIGN ASSISTANCE ACT OF 1961

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

ARMENIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

The Armenian Government's proclaimed aim is to build a parliamentary democracy based on rule of law and civil society. However, progress toward democracy and the rule of law remains slow and incremental. The Armenian constitution was adopted by referendum in July 1995, coincident with the election of a transitional 190-member legislature. The parliamentary elections and constitutional referendum were called "generally free but not fair" by international observers. Presidential elections were held in 1996 and 1998. Fraud in the 1996 vote tabulation process allowed then-incumbent President Ter-Petrosian to avoid a run-off election he might have lost. In February 1998 Ter-Petrosian was forced to resign. Current President Kocharian took office in April 1998, following elections that were marred by numerous irregularities, including block voting by the military and ballot box stuffing, which cast doubt on the voting and vote-counting processes. Nevertheless, the 1998 elections were an improvement over those of 1996 in that a pluralistic group of candidates was able to campaign more freely, and with access to the media. Elections in May 1999 for a restructured 131-member parliament demonstrated some areas of improvement over previous elections as well as continuing serious shortcomings. Improvements included the authorities' respect for freedom of speech and assembly, parties' and candidates' ability to enter the race and campaign freely, the neutrality of media coverage, and the functioning of domestic election observers. Notable shortcomings were the poor state of voter lists (which kept many people from casting ballots), problems with military voting, insufficiently independent election commissions, and problems with the tabulation and publication of vote counts. On October 27, 1999, five apparent political dissidents murdered the Prime Minister, Speaker of Parliament, and six other officials in the parliament chamber. Selection of successors followed constitutional requirements and several by-elections since that time showed further improvement in electoral procedures and fairness, but uncertainty and instability remain prominent features of the political landscape.

Fourteen laws designed to improve the legal and judicial systems took effect in January 1999 but have not completely remedied judicial shortcomings. Even though the prosecutors' supervision of cases has been significantly reduced, prosecutors still greatly overshadow defense lawyers and judges during trials. In addition, concerns remain regarding the independence of the judiciary, the functioning of the legal system, and police treatment of detainees. The beating of pretrial detainees remains a routine part of criminal investigations. The government has not conducted investigations of abuse by security forces, except in rare cases where death has resulted and under pressure from human rights groups.

The constitution provides for freedom of the press, but the government exercises some restrictions on the media. Official censorship is not practiced, but journalists appear commonly to engage in self-censorship to avoid problems with authorities. Many subjects considered sensitive for national security reasons receive circumscribed coverage. The government maintains the dominant role in nationwide television and radio broadcasting. The president's office continues to influence state television news coverage. Nonetheless, the climate of media freedom is improving. Non-governmental media often criticize the country's leaders and government policies. Independent local newspapers and radio and television stations are increasing in number. A new media law passed in November 2000 substantially reduces government control over the media, but still leaves some loopholes that are cause for concern.

Public demonstrations occur, usually without government interference.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Since 1994, Armenia has been in search of macroeconomic stability and structural reform, with the support of international financial institutions and donors. Armenia's economic performance improved markedly in 1998. However, the 1998 Russian financial crisis, compounded by a drought in late 1998 and political uncertainty around the May 1999 Parliamentary elections, seriously hurt the Armenian economy. During this difficult period, Armenia experienced policy setbacks and lost the momentum for structural reform. However, authorities have recently reaffirmed their commitment to economic reform. Armenia has succeeded in privatizing almost all agricultural land and housing stock. An aggressive voucher privatization program resulted in privatization of most of the Republic's small enterprises and approximately 70 percent of the medium and large enterprises. Privatization slowed during 1999 due to a difficult transition from voucher to cash privatization at the end of 1998. Some negative political fallout from several high-profile privatizations in late 1998 contributed to the government's reluctance to undertake further privatization. By the end of 1999, however, the government appeared to have generated a renewed political will to continue privatization. Two government decrees that will remove most remaining obstacles to the privatization process are expected to be implemented by the end of the year. Several hundred medium to large state owned enterprises, including many strategic enterprises, will enter the privatization pipeline. Energy sector privatization also is moving forward, with privatization of the four largest distribution companies anticipated by mid-2001.

Armenia is working to establish legal and institutional frameworks that will facilitate further economic development and foster an environment attractive to foreign investment. A liberal foreign investment law was approved in 1994. Armenia has concluded a bilateral trade agreement with the United States (which enables it to receive normal-trade-relations or NTR status and incorporates intellectual property rights provisions), an OPIC agreement, and a bilateral investment treaty with the United States. Armenia is laying the legislative and administrative foundations for its entry into the WTO. Armenia has made substantial progress in negotiations to join the WTO, has assured the trade body it is working to enact and implement WTO-compliant legislation, and is negotiating outstanding differences on market access offers in goods and services and on agricultural supports. Armenia has also expressed interest in negotiating a tax treaty, and is receiving U.S. technical assistance in revising its tax structure. Armenia belongs to the International Monetary Fund, the World Bank, and the European Bank for Reconstruction and Development.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Armenian constitution, adopted in 1995, contains broad human rights protections, but implementation has been inconsistent and problems persist in several important areas. The constitution grants national minorities the right to preserve their cultural traditions and languages, and current law specifically provides linguistic minorities the right to publish and study in their native tongues. Armenia has ratified important international human rights treaties and shown a willingness to engage in international and bilateral discussions regarding human rights.

The constitution provides for the right to practice the religion of one's choice, but current laws grant special status to the Armenian Apostolic Church, which has legal status as the national church. All other religious denominations and organizations must register with the state Council on Religious Affairs (although certain congregations, such as the Yezidis and Hare Krishnas, remain unregistered by choice or for lack of numbers), and only the Armenian Apostolic Church may proselytize. Funding from sources outside Armenia is prohibited for non-apostolic faiths. As of November 1999, registered religious groups had reported neither adverse consequences from the law nor denial of re-registration under the amended law. Although the State Council on Religions does not allow Jehovah's Witnesses to register as a religious denomination, claiming that illegal proselytism is integral to their activities, the group operates in a fairly open manner. Despite being harassed by local officials and denied access to their religious publications, they report gains in converts. As of November 2000, forty Jehovah's Witnesses were in jail charged with draft evasion or desertion, and about 50 were in hiding from the draft.

The constitution provides for freedom of foreign travel and emigration, and these rights are generally recognized in practice. However, the government can deny exit visas to persons possessing state secrets, to those subject to military service, and to those whose relatives have made financial claims against them. A 1997 law mandates that representatives of religious organizations other than the Armenian Apostolic Church must obtain prior permission from the State Council on Religions to travel abroad. This requirement has not been enforced since the initial year of its enactment.

Discrimination based on race, sex, religion, disability, language, or social status is prohibited by the Constitution, but cultural and economic factors prevent women, persons with disabilities, and some ethnic and religious minorities from participating fully in public life.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Armenia has failed to observe international law and obligations, as well as OSCE commitments, in this respect as a result of the continuing conflict over Nagorno-Karabakh. Because of the conflict, Armenian military forces occupy some areas of the territory of Azerbaijan. However, the Government of Armenia continues to observe the cease-fire that has been in effect since May 1994, and participates actively as a party within the OSCE Minsk Process, an initiative aimed at resolving the conflict over Nagorno-Karabakh. In addition, since April 1999 President Kocharian and Azerbaijani President Aliyev have engaged in bilateral talks whose goal is a negotiated settlement of the conflict. Their foreign and defense ministers also have met several times to discuss aspects of a settlement. Armenia released several Azerbaijani POWs during 1999. In November 1999, Armenia joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force. Armenia also facilitated the opening of an OSCE office in Yerevan in 2000.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The OSCE created the Minsk Group in spring 1992 as the forum for a peaceful, negotiated resolution to the conflict over Nagorno-Karabakh. The Government of Armenia continues its participation in the OSCE peace process. Direct dialogue between the Armenian and Azerbaijani Governments, suspended in late 1996, resumed in the spring of 1999. This dialogue and the Minsk Group process continue to hold the promise of achieving an agreed resolution.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

The Armenian Parliament ratified the CFE Treaty in October 1992 and the 1996 CFE flank agreement in May 1996. Armenia participated actively in negotiations to adapt the Treaty and, along with representatives of the other 29 CFE states, signed the Adapted CFE Treaty at the Istanbul Summit in 1999. Armenia has provided data on equipment as required by the Treaty, although at times concerns have arisen about the completeness of this data. Armenia also has hosted on-site inspections, as provided for in the Treaty, and participates in the CFE Joint Consultative Group, the Treaty's implementation body, which meets in Vienna. Armenian compliance with CFE has been uneven. In addition to Armenia's longstanding failure to properly notify or carry out reductions required by the Treaty, there have been technical concerns about the completeness of Armenia's data on equipment holdings. Also of concern are: evidence that Armenia may have failed to notify increases in unit holdings involving CFE Treaty limited equipment transferred from Russia, the fact that Armenia continues to station troops and CFE limited equipment on the territory of Azerbaijan without Azerbaijani permission, and evidence that Armenia made a late notification of the entry into service of multiple rocket launchers purchased from China. Although Armenia did not follow CFE procedures in notifying entry into service of the equipment, they did host a Vienna Document 1999 demonstration of the new equipment in August 2000. Another area of concern is possible transfers in the mid-1990s of CFE-type military equipment by Armenia to separatist forces in Nagorno-Karabakh. Both Armenia and Azerbaijan have maintained that it is impossible for them to meet certain Treaty obligations because of security concerns associated with the Nagorno-Karabakh conflict. This said, Armenia is engaged in discussions both in the CFE context and in the context of the Minsk Group process that may help to address certain of these issues.

Armenia participates in Vienna Document 1999, an OSCE regime of confidence and security building measures. Armenia submitted CSBM annual data declarations for 1996-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document (1994 and 1999). In August 2000, Armenia hosted an air base visit and visit to a military facility in accordance with Vienna Document 1999 provisions.

Armenia acceded to the NPT as a non-nuclear-weapons state on July 15, 1993. The United States and other Western governments have discussed efforts to establish effective export control systems with Armenia. Armenia is a State Party to the Chemical Weapons Convention (CWC) and the Biological Weapons Convention (BWC), which seek to eliminate chemical and biological weapons, respectively. Armenia also signed a bilateral nonproliferation and export control agreement with the United States in July 2000. Ratification is expected by the Armenian Parliament by the end of the year. Additionally, Armenia has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Special Verification Commission, it continues to observe the Treaty's obligations.

We have received occasional reports of transfers potentially related to proliferation of weapons of mass destruction involving Armenia, which we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports has resulted in a sanctions determination during the reporting period. Armenia is in the process of establishing a WMD-related export control system derived from international standards and has cooperated with the United States and others toward this goal.

Armenia is not a significant exporter of conventional weapons, but it has provided substantial support, including materiel, to separatists in the Nagorno-Karabakh region of Azerbaijan.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Armenia faces serious environmental problems. Water pollution caused by industrial wastes discharged into rivers has contributed to a serious decline in public health. Armenia's major freshwater source, Lake Sevan, has a declining water level due to hydroelectric generation. Overuse of the country's forests and poor irrigation and water management practices have led to increased soil erosion and loss of arable land. The Government of Armenia, however, has taken some steps to establish public policy mechanisms to address environmental issues, including the establishment of a Ministry of Environment. Environment action plans are being developed with the assistance of the World Bank. National environmental NGOs are gaining access to the policy-making process on environmental issues. Armenia has shown an interest in regional cooperation on environmental issues, and has agreed to the establishment of a coordination and information-sharing mechanism as a first step toward fuller cooperation on transborder and international environmental issues.

Armenia recently joined Georgia in signing the charter for and establishing the Regional Environmental Center in the Caucasus, located in Tbilisi, Georgia. The United States and the European Union are supporting and co-financing the establishment of this independent, non-profit, and non-political organization, the mission of which will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Armenia does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Armenia is a party to two of the twelve international counterterrorism conventions. Allegations in the Turkish media that the Government of Armenia supports anti-Turkish Armenian and Kurdish terrorist groups remain unsubstantiated.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the former Soviet Union (FSU). In December 1991, Russia and seven other NIS countries, including Armenia, signed an agreement which assigned to each country a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In September 1993, Armenia signed an agreement with Russia under which Russia agreed to assume Armenia's share of the former Soviet Union's foreign debts in exchange for Armenia's share of the FSU's external assets.

Please see section 498A(a)(9) of the Russia assessment below regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, which was established in March 1992. The U.S. side of the Commission visited Armenia in August 1993 to expand contacts with Armenian officials and to visit the crash site of a C-130 that was shot down over Armenia in 1958. The delegation received much support from the people and officials of Armenia, who cooperated during the investigation.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no information to indicate that the Government of Armenia is providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961

ARMENIA

Section 498A(b)(1): Has the President determined that the Government of Armenia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While there have been some shortcomings in human rights observance (as discussed above), we do not believe that the Government of Armenia is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of Armenia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Armenia has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Armenia "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We periodically receive reports potentially related to Armenian transfers of material, equipment or technology that could contribute to the ability of countries to manufacture weapons of mass destruction. We carefully review these reports in light of our legal obligations under the various proliferation sanctions laws. None of these reports has resulted in a sanctions determination during the reporting period.

Section 498A(b)(4): Is the Government of Armenia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information from which to conclude that the Government of Armenia is prohibited from receiving assistance under these sections.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Armenia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Armenia under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We do not have information from which to conclude that the Government of Armenia is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

AZERBAIJAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Azerbaijan continued to make incremental progress in 2000 towards creation of a democratic system of government but significant problems remain. The president's party continues to dominate the government, and the 125-member parliament is so dominated by the president's party and affiliated parties that it cannot enact legislation independent from the government. Judges do not function independently of the executive branch. The legal basis for conducting elections was improved with the assistance of the OSCE/ODIHR. The 2000 Parliamentary elections demonstrated some progress over previous elections. For the first time, opposition candidates were represented on election commissions at all levels and candidates from all parties were allowed to contest seats on the proportional ballot and to actively campaign. However, overall, the elections failed to meet international standards for democratic elections. Half the candidates in single mandate districts (in which 100 out of 125 MPs were elected) were disqualified and the appeals process was flawed. In a step back from earlier practice, the government severely restricted the accreditation of domestic observers. Several international observers were denied access to polling stations on election day, while others witnessed evidence of serious irregularities including ballot stuffing. International observers called the vote tabulation process completely flawed.

An active and independent media exists and press censorship was officially abolished in 1998, but periodic government harassment continues. An active political opposition also exists, although government efforts to hinder the opposition—including the holding of political prisoners—continue to impede the transition to democracy. There are over 30 political parties registered, some of which support the president's party. The government registered the opposition Azerbaijan Democratic Party in February 2000, but continues to deny registration to a few opposition parties. Credible reports of acts of intimidation of opposition political figures continued.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

In its brief history as an independent country, Azerbaijan has made important progress in the transition to a market economy. Outdated Soviet laws have been replaced with modern legislation to encourage foreign investment, to protect intellectual property, to permit bankruptcies, and to rationalize the government's revenue collection policies. The oil industry is Azerbaijan's financial lifeline. Agriculture, the country's second most productive sector, employs 30 percent of the workforce, 98 percent of agricultural land is in private hands. Over 25,000 enterprises have been privatized since the inception of the privatization program in 1996.

Azerbaijan's macroeconomic outlook improved notably in 2000 due to strong world oil prices and sound policy adjustments. As a result, Azerbaijan has been able to recover fully from the effects of the 1998 financial crisis. According to the Central Bank of Azerbaijan, foreign reserves increased over \$700 million and GDP grew by over nine percent during the first nine months of the year, while year-to-year inflation stood at 1.7 percent in September 2000. The real exchange rate of Azerbaijan's currency (the manat) has returned to its level before the 1998 crisis.

In contrast to its sound macroeconomic policies, Azerbaijan has made slow progress on its structural reform agenda, particularly in the area of governance. Legislation for a second-stage privatization program was enacted in May 2000, and a new tax code, adopted in July 2000, will go into effect January 2001. State efforts to consolidate and privatize the banking sector continued with the merger of three state-owned banks into United Universal Bank (UUB) and the transfer of the predecessor banks' non-performing loans to a separate collection entity. During the third quarter of 2000, the government signed, and parliament approved, the country's 20th production sharing agreement (PSA) for development of

the oil and gas sector. Despite these achievements, implementation of structural reform has come to a virtual stand still with increased windfalls from high oil prices.

In the areas of commercial law, accounting standards, tax administration, and customs operations, practices in Azerbaijan continue to fall short of international standards and constitute barriers to foreign investment and economic development. Licensing and regulatory practices are overly bureaucratic and are not transparent. Corruption is a major problem. Although the government has formed two working groups to combat corruption, these initiatives have not yet yielded visible improvements.

Azerbaijan's three-year, \$308 million arrangement under the IMF's Poverty Reduction and Growth Facility (PRGF) and Extended Fund Facility (EFF) expired on March 19, 2000. Azerbaijan was unable to draw the remaining \$23 million under these programs due to a lack of progress on promised structural reforms.

Azerbaijan is a member of IBRD, EBRD, IMF, and the Asian Development Bank. The U.S. Government's business promotion agencies, TDA, EXIM, and OPIC, are active in Azerbaijan. Azerbaijan enjoys Normal Trade Relations (formerly MFN) with the United States under a bilateral trade agreement and is making limited progress in preparing for WTO membership.

Section 498A(a)(3): "respect for internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The right of religious freedom is enshrined in the Azerbaijani constitution and its laws. Traditional religious groups, including Muslims, Russian Orthodox, and Jews are respected. However, harassment of other religious groups by lower-level officials occurs from time to time. In response to USG protest of this harassment, President Aliyev publicly reaffirmed the government's commitment to religious freedom in November 1999, and the government has responded appropriately in most cases to redress individual cases of violations by lower-level officials. As a result of this affirmation, in a dramatic turnaround, almost all groups previously unable to register or to practice without harassment now do so without problems.

The government respects the rights of freedom of emigration. The remaining Armenian population in Azerbaijan is approximately 10,000 to 20,000, mostly people of mixed descent or those involved in mixed marriages. The government does not have a policy of discrimination against Armenians, who are free to travel. However, there are strong anti-Armenian feelings among the general population, and these animosities have been exacerbated by the conflict over Nagorno-Karabakh. In addition, low-level officials seeking bribes often harass members of minorities wishing to emigrate.

Police detain and arrest persons without charges. There are approximately 35 people under arrest for politically motivated charges. There are credible reports that the police practice of beating prisoners during arrest, interrogation, and pre-trial detention is widespread. In most instances, the government took no action to punish abusers, although perpetrators were prosecuted in a handful of cases. Local human rights organizations are allowed access to prisoners and, in June, the government agreed to allow ICRC access to prisoners.

The government continues to restrict the right to assemble when it is in its interest to do so. The government did allow some opposition parties to organize smaller-scale demonstrations (with fewer than 50 participants) and to stage larger rallies away from the city center. However, authorities frequently prevented opposition parties from conducting many indoor meetings and outdoor gatherings.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Azerbaijan has reiterated its commitment to the observance of international legal obligations and OSCE commitments in the area of human rights. It has also reiterated its commitment to seek a peaceful resolution of the Nagorno-Karabakh conflict. At the same time, the Nagorno-Karabakh conflict remains unresolved, and both sides have committed violations of international humanitarian laws. The parties to the conflict continue to observe a cease-fire that has been in effect since May 1994. In 2000, the Presidents of Azerbaijan and Armenia continued to engage in a series of private meetings in an effort to resolve their differences and help bring about a resolution of the conflict. As a direct result of these meetings, the parties have taken measures to strengthen the 1994 cease-fire and have continued to release persons being held in connection with the conflict. The Government of Azerbaijan now claims to have released all Armenian

prisoners of war. In November 1999, Azerbaijan joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The OSCE created the Minsk Group in the spring of 1992 as the forum for a peaceful, negotiated resolution to the conflict over Nagorno-Karabakh. The Government of Azerbaijan participates fully in the OSCE peace process. In 2000, the Presidents of Azerbaijan and Armenia continued to engage in a series of private meetings in an effort to resolve their differences and help bring about a resolution of the conflict. Both Azerbaijan and Armenia have also expressed a commitment to continue working with the OSCE Minsk Group Co-Chairs in achieving a resolution of the conflict.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Azerbaijan has declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Azerbaijani actions to support this commitment include accession to the Nuclear Non-Proliferation Treaty. Azerbaijan was one of the original signatories of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction and ratified the Convention on February 29, 2000. Azerbaijan has not acceded to the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxic Weapons and on Their Destruction. The United States also considers Azerbaijan to be a party to the INF Treaty as a successor state to the Soviet Union. Although Azerbaijani officials have questioned that reasoning, they have taken no steps inconsistent with their obligations under INF.

The Conventional Armed Forces in Europe Treaty was ratified by Azerbaijan's Parliament in July 1992. Azerbaijan ratified the 1996 CFE flank agreement in 1997, and has participated actively in negotiations to adapt the CFE Treaty, which was signed by Azerbaijan and representatives of all 30 CFE States at the OSCE Istanbul Summit in 1999. Azerbaijan's compliance with CFE has been uneven. Azerbaijan participates in the CFE Joint Consultative Group, the Treaty's implementation body, which meets in Vienna. Azerbaijan has hosted on-site inspections as provided for in the Treaty and has provided data on equipment as required by the Treaty. However, since 1997 Azerbaijan has continued a unilateral suspension of certain notification provisions, although such a suspension is not allowed under CFE, citing the exigencies of the conflict in Nagorno-Karabakh. Although Azerbaijan has not properly completed the reductions required by the Treaty, until this year, it has continued to periodically notify and carry out reduction events. Azerbaijan continues to insist that it cannot complete required reductions—or fulfill all Treaty obligations—as long as the dispute over Nagorno-Karabakh continues. Until late in 1999, Azerbaijan had significant overages above its Treaty limits in equipment, but by a series of notifications of reduction events, and decommissioning, Azerbaijan claimed to have eliminated them, and Azerbaijan's data as of January 1, 2000 showed compliance with all limits. Two inspections (one in 1999 and one in 2000), however, have raised questions about the accuracy of specific points in Azerbaijan's data. Azerbaijan is engaged in discussions both in the CFE context and in the context of the Minsk process, which may help lay the basis for improved Treaty compliance.

Azerbaijan has submitted Confidence and Security Building Measures (CSBM) annual data declaration for 1996-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document (1994 and 1999).

We do not believe that Azerbaijan has engaged in the proliferation of nuclear, chemical, or biological weapons, their delivery systems, or related technology. Azerbaijan has made progress in establishing a system of nonproliferation export controls and has actively moved to thwart transit of controlled items to countries of concern. In September, 1999 the USG and the Government of Azerbaijan signed an agreement "Concerning Cooperation in the Area of Counterproliferation of Weapons of Mass Destruction and Defense Activities." Azerbaijan ratified the CTBT on February 2, 1999 as a sign of the Armenian Government's commitment to nonproliferation. Azerbaijan is not a significant exporter of conventional weapons.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Soviet era oil development, air and water pollution, and urban industrial pressure on the land have created serious environmental challenges. Deterioration and erosion of soil and salination of agricultural lands contribute to extensive soil loss. Poor air and water quality contribute to increasing public health risks. The rising level of the Caspian Sea and the prospective development of Caspian energy resources have brought serious new environmental challenges. Azerbaijan acceded to the Convention on International Trade in Endangered Species on November 23, 1998 and to the Kyoto Protocol on September 28, 2000.

Legislation to address environmental problems and the use of natural resources, based on modern Western practice, has been enacted, but funding remains inadequate to meet the breadth of existing problems. The activities of international consortia currently drilling for oil and gas in the Caspian Sea are fully consistent with Western environmental standards.

The government draws attention to environmental issues through its support of an annual International Environmental Congress that brings together government officials, scientists, politicians, international oil companies, and private organizations to address Caspian region development issues. Azerbaijan also participates in the Caspian Environmental Program, a five-nation project supported by UNDP and the IBRD. Under this project, Azerbaijan has established a pollution abatement research center and a database management center to help the littoral states protect the sensitive Caspian Sea environment.

U.S. Government assistance to the environmental sector has been through U.S. PVOs and NGOs. USAID has increased its funding significantly. In May 1999, it funded a multi-country Caspian Basin meeting to address the oil spill possibility and other environmental concerns. USAID has also funded activities to increase the educational awareness of environmental problems all over Azerbaijan. It will be conducting a survey in the highly polluted city of Sumgayit in 2000 to determine what possibilities exist for increased participation in helping to ameliorate the consequences of highly concentrated urban pollution.

Azerbaijan has expressed an interest in participating in the recently established Regional Environmental Center in the Caucasus, joining co-founders Georgia and Armenia. The United States and the European Union are supporting and co-financing the establishment of this independent, non-profit, and non-political organization, the mission of which will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Azerbaijan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Although there are indications that Azerbaijani territory has been used to provide support to militants in Chechnya, the Azerbaijani Government actively opposes terrorism and has taken steps to prevent it. Azerbaijan is not a party to any of the twelve international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In September 1993, Russia signed an agreement with Azerbaijan under which Russia agreed to assume Azerbaijan's share of the debts of the FSU in exchange for Azerbaijan's share of the FSU's external assets.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, which was established in March 1992. The Commission met with Azerbaijani officials in June 1996, and the Azerbaijani Government pledged its cooperation with the Commission's efforts.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We do not have information from which to conclude that the Government of Azerbaijan is providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

AZERBAIJAN

Section 498A(b)(1): Has the President determined that the Government of Azerbaijan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While there have been serious shortcomings in human rights observance, we do not believe that the Government of Azerbaijan is engaged in a pattern of gross violations of human rights or of international law. Nonetheless, we will work to better address existing problems not only through our diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Azerbaijan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Azerbaijan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Azerbaijan "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Azerbaijan in 2000.

Section 498A(b)(4): Is the Government of Azerbaijan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Azerbaijan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Azerbaijan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We do not have information from which to conclude that the Government of Azerbaijan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

BELARUS

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to provide that, "In providing assistance under (Chapter 11 of the FSA) for the government of any independent state of the former Soviet Union, the President take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Belarus moved farther away from a democratic, rule-of-law-based system in 2000. Since his election as president in 1994, Aleksandr Lukashenko has steadily constructed an authoritarian regime concentrating all power in his own hands. In November 1996, Lukashenko engineered a "referendum" to amend the constitution. The Belarusian Constitutional Court ruled the referendum unconstitutional. The flawed and undemocratic political process surrounding it was publicly condemned by the United States, the European Union, the Troika of the Organization on Security and Cooperation in Europe (OSCE), and the Parliamentary Assembly of the Council of Europe. After the referendum, Lukashenko replaced the sitting parliament with a handpicked bicameral legislature based on the revised constitution. This legislature is not recognized by the United States, the European Union, the OSCE Parliamentary Assembly or the Council of Europe. In addition, Lukashenko augmented his powers at the expense of the legislature and judiciary by unilaterally extending his five-year term by an additional two years. Lukashenko's legal term in office ended on July 20, 1999, but he has yet to step down. He repressed an attempt by the opposition in May 1999 to carry out presidential elections in accord with the legitimate 1994 constitution.

The parliamentary elections held in October 2000 fell far short of international standards for free and fair elections. In February, the authorities withdrew from the OSCE-sponsored dialogue with the opposition, which was intended to result in democratic parliamentary elections. In May, the OSCE Troika set four minimal conditions for international observers to be sent to monitor these elections: (1) a democratic electoral law, (2) opposition access to the state media, (3) an end to human rights abuses and the climate of fear and (4) the granting of real power to the parliament to be elected. The Lukashenko regime failed to meet any of these conditions. Minor changes were made to the electoral law, but the opposition was not represented on electoral commissions and stifling limits were placed on campaign activities. No access to the state media was given to the opposition. Belarusian state television agreed to allow former head of state Stanislav Shushkevich several minutes of airtime, but cut him off only 40 seconds into his remarks. When Belarusian Popular Front Chairman Vintsuk Viachorka requested broadcast time to explain why the united democratic opposition was boycotting the election, the authorities refused this request and launched a smear campaign in the state media against him. Nearly all independent opposition candidates were refused registration due to trivial technicalities. Despite promises made at the OSCE and to the EU of a period of peace before the elections, over 200 Belarusian citizens were arrested for advocating a boycott of the elections and on September 15, 100,000 copies of the independent trade union paper "Rabochy" were seized for this same reason. The regime threatened citizens with expulsion from universities, loss of scholarships and, in some cases, with loss of employment if they did not take part in elections. On election day, October 15, over 5,500 independent domestic election observers documented ballot box stuffing, elimination of voters from electoral lists, falsification of electoral commission protocols and taking ballot boxes door to door in an attempt to inflate the turnout to meet the legal requirement of 50-percent turnout for the elections to be valid. According to the independent observer team, the actual turnout was about 40 percent. Despite this fact, the regime announced a turnout of 62 percent. The U.S. Government did not recognize these elections as legitimate and continues to recognize the Thirteenth Supreme Soviet led by Chairman Semyon Sharetsky as the legitimate parliament of Belarus.

In addition to the carrying out of undemocratic elections, the Lukashenko regime increased harassment of the political opposition. On March 25 and November 17, the regime brutally repressed peaceful protest marches, beating or arresting hundreds. Political show trials became more common, including those of former Agricultural Minister Vasily Leonov (sentenced to four years, later amnestied). Parliamentarian Andrei Klimov (beaten in jail, sentenced to six years), former PM Mikhail Chigir, his wife Yulia Chigir, Parliamentarian Valery Shchukin, and social democratic leader Nikolai Statkevich. In July, television journalist Dimitry Zavadsky disappeared in Minsk. Despite months of investigation, the regime has made no progress in accounting for Zavadsky, or the earlier-disappeared Yury Zakharenko, Victor Gonchar, and Anatoly Krasovsky. The regime showed little respect for the freedom of assembly, often unreasonably banning protests and

pickets and arresting their participants. It refused to give permission for a march by Belarusian communists to celebrate the November 1917 Bolshevik Revolution. On November 12, over 125 youths in Minsk and Grodno were detained for taking part in peaceful protests advocating a change in government policies. The authorities heavily control the dominant state media and restrict and harass the independent media. In January, the regime closed the independent daily "Kutseyna" in Orsha. In May, it refused to register the independent journal "Reporter" in Grodno. In October, the authorities attempted to close the independent Magic Publishing House in Minsk. More subtle forms of pressure, including imposition of arbitrary taxes or fines, arbitrary arrest, re-registration, cancellation of leases and/or eviction from leased premises, administrative restrictions, and manipulation of the judicial process to intimidate and harass the opposition, NGOs and independent business people, also continue.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Government of Belarus moved farther away from a market economy by increasing harassment of the limited private business that exists. Private market vendors have been a particular target, especially those organized in the Belarusian Union of Entrepreneurs. In September, Belarus implemented a unified exchange rate, but has failed to carry out any of the other reforms agreed to with the International Monetary Fund in September 1995. Privatization has been limited to small enterprises, and even here some believe that this has mainly benefited the nomenclature. Massive state credits at negative interest rates to targeted sectors of the economy, coupled with price and currency controls, led to a steady devaluation of the Belarusian ruble in 2000. The IMF and the World Bank have issued no new credits for Belarus this year. The World Bank has approved no new lending to Belarus since 1995, although it is considering reopening a limited program. The European Bank for Reconstruction and Development is not pursuing any public sector projects in Belarus. In 1997, the Overseas Private Investment Corporation (OPIC) paid its first claim in the NIS in Belarus, the result of "creeping expropriation." OPIC has ceased insuring businesses in Belarus demanding that the Government of Belarus adequately address the issue of compensation.

A 1993 trade agreement between Belarus and the United States provides reciprocal Normal Trade Relations (formerly MFN) benefits and contains intellectual property rights provisions. A Bilateral Investment Treaty (BIT) was ratified by the Belarusian Parliament in October 1995 and received the advice and consent of the U.S. Senate in June 1996. But as the political situation deteriorated in late 1996, the United States decided to delay indefinitely its entry into force. EXIM and TDA activity in Belarus remain suspended due to the poor investment and political climate. OPIC has also suspended operations in Belarus.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Belarusian Government's human rights record deteriorated during 2000, particularly regarding respect for civil liberties. Restrictions on freedoms of speech, press and peaceful assembly increased, and the government did not respect freedom of association. Dmitry Zavadsky, a journalist associated with the opposition, disappeared in July. Although there is circumstantial evidence that the Lukashenko regime is responsible for this and earlier disappearances, Zavadsky's fate remains unknown. Chairman of the legitimate parliament Semyon Sharetsky, political leader Zianon Pazniak, and former national bank chairperson Tamara Vinnikova remain in exile out of fear for their safety. Prolonged detention on political grounds and delays in trials are common. Freedom of assembly is generally not respected and arrests or beatings are common responses to peaceful protests. The security services infringe the privacy rights of citizens and closely monitor the activities of opposition politicians and other segments of the population. Government security agents frequently harass human rights advocates. Worker rights continue to be restricted by government authorities, who have stepped up the harassment of independent trade unions over the past year.

According to official data, the state did not deny any citizens permission to emigrate in 1999. Nonetheless, the Lukashenko regime tried to limit parliamentary leader Anatoly Lebedko's and former head of state Stanislav Shushkevich's ability to travel by initially denying their requests for passports. Ethnic tensions do not appear to trouble Belarus.

The constitution provides for freedom of religion. However, the government restricts this right in practice. Citizens are not prohibited from proselytizing, but foreign missionaries may not engage in religious activities outside of the institutions that invited them. Only religious organizations already registered by the state may invite foreign clergy. The Catholic Church has experienced difficulties in bringing clergy into Belarus from abroad to meet the needs of its followers and some priests and nuns have been harassed, primarily in the western Polish-speaking border areas. In March the police

arrested Fr. Zbigniew Karolak, a Polish national, and dragged him from his church in Brest. In June, Fr. Karolak was forced to leave Belarus under threat of deportation. The government accords preferential treatment to the part of the Orthodox Church loyal to the Moscow Patriarch, while harassing those who seek autocephalous status for the Belarusian Orthodox Church. In May, Father Yan Spasyuk, an advocate of autocephalous status, was arrested during a service in his church in the Grodno region. Father Spasyuk, who managed to escape his assailants, was later sentenced to five days in jail for resisting arrest.

Respect for the rights of minorities appears to have remained at a steady but low level. Societal anti-Semitism exists but is not usually manifested openly, although senior government officials and the state media have occasionally used coded anti-Semitism in attacking political opponents. Despite these difficulties, several local Jewish communities have successfully reclaimed synagogues and other properties.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

As a result of the Belarusian Government's failure to adhere to its human rights commitments under the Helsinki Final Act, the OSCE undertook to establish an Advisory and Monitoring Group (AMG) in Minsk to assist the Government of Belarus in fulfilling its human rights obligations. After much resistance, the Government of Belarus permitted the AMG to open in February 1998 with a mandate to monitor the human rights situation and advise the government. The Lukashenko regime has generally taken a hostile attitude toward the AMG, most recently complaining about the mission's efforts to support civil society and organize domestic observation of the fraudulent October parliamentary elections. The regime has threatened to expel the AMG. Despite the efforts of the AMG and of many ambassadors of OSCE participating states, the regime continues to view the opposition as its enemy.

At the November 2000 OSCE ministerial conference, Belarus joined Russia in strongly criticizing OSCE human rights policies in former communist countries.

In June 1998, the Belarusian authorities violated the principle of inviolability of diplomatic missions under the Vienna Convention on Diplomatic Relations by evicting the U.S. and other countries' ambassadors from their diplomatic residences, terminating all access to the properties and declaring the area a "presidential territory." The United States, the European Union and other countries recalled their ambassadors, sent their Belarusian counterparts home and took other measures in protest. In September 1999 this dispute was resolved, the Government of Belarus paid compensation for taking the U.S. residence, and the U.S. ambassador returned to Minsk. In November 1999, Belarus joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force.

The Belarusian Government's military doctrine is in accord with the OSCE principles on the inviolability of borders and non-interference in the internal affairs of other states. Belarus rejects war as a means of settling disputes. Its constitution declares Belarus a non-nuclear and neutral state.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Belarusian leader Lukashenko was an outspoken supporter of Serbian ethnic cleansing in Kosovo. His support resulted in Belarus breaking relations with NATO during the bombing campaign against Serbia. Throughout 2000 Lukashenko and Belarusian state television made public accusations that NATO and the U.S. intend to use the same tactics in Belarus, inclusive of bombing, as were used in Kosovo and Serbia. Lukashenko also supports Russia's military actions in Chechnya. Other than this, Belarus is not involved directly in ethnic or regional conflicts and has supported the Commonwealth of Independent States and OSCE as conflict-resolving mechanisms. Belarus is only a conditional member of the CIS Collective Security Agreement; its constitution prohibits the stationing of foreign troops in Belarus and the deployment of Belarusian troops abroad.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

In late 1997, after Belarus failed to utilize Nunn-Lugar assistance for destruction of its SS-25 launch pads, that assistance project was terminated. The launch sites will remain START-accountable until they are destroyed. Other CTR assistance was suspended in 1997 because of human rights concerns. President Lukashenko has publicly expressed regret over the removal of nuclear weapons from Belarus.

Belarus has reduced the size of its armed forces and related expenditures. Belarus has stated its intention to convert its defense industry to civilian production but lacks the funds to do so quickly. The Belarusian authorities have also made declarations of their intent to form a single military district with Russia, which at one point they claimed would contain 300,000 soldiers.

Belarus is a party to the 1993 Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction, and to the 1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction. Belarus ratified the Comprehensive Nuclear Test Ban Treaty (CTBT) in September 2000.

We do not believe that Belarus has engaged in the proliferation of nuclear, biological, or chemical weapons or related technology. However, in 2000, Belarusian entities reportedly continued to sell to foreign countries MAZ truck chassis (items not on any international control list) that can be modified to make mobile missile launchers.

Belarus is a party to the CFE Treaty. Although there have been some continuing concerns and Belarus was late in meeting its reduction obligation, generally speaking Belarus has fulfilled its obligations under this treaty.

In 2000, Belarus continued to be a leading conventional arms exporter as it sold off excess Soviet-era equipment. Moreover, an increasing number of reports of Belarusian transfers or potential transfers of conventional weapons to state-sponsors of terrorism have been received, especially to Iraq. There are also reports of arms retransfers from Belarus to countries of concern (armaments originating in Russia and other former Soviet states). These reports are being carefully reviewed in light of our legal obligations under the various proliferation sanctions laws. No lethal military equipment transfer sanctions were imposed on Belarus during the reporting period.

By a presidential decree on December 4, 1997, Belarus formalized its Moratorium on the Export of Anti-Personnel Landmines, which it had observed in practice since August 1995. Belarus was accepted as a member of the 39 nation Nuclear Suppliers Group on May 19, 2000, having formally committed not to export nuclear or nuclear-related items when there is a risk of use for nuclear weapons or unsafeguarded nuclear fuel activities.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Belarus has taken positive steps to address international environmental concerns by establishing ministries of energy, forestry and water resources, and land reclamation. It has also established state committees on the consequences of the Chornobyl accident, the ecology, and the supervision of safety procedures in industry and the nuclear power industry. Belarus suffered considerably from the effects of the Chornobyl disaster and has actively sought U.S. assistance in cleaning up areas contaminated by radiation.

Air and water pollution problems of varying degrees of seriousness plague Belarus. Rivers are considered "moderately polluted" from industrial and agricultural sources. Some land reclamation efforts, undertaken in the name of economic development, have contributed to severe ecological problems in the Polesye region. Belarus has set up a Committee of the Council of Ministers on Emergency Situations, on the Consequences of the Chornobyl Disaster, and the Environment to oversee and coordinate environmental protection efforts undertaken by individual ministries.

Several non-governmental organizations (NGOs) and foundations continue to deal with the Chornobyl aftermath. The authorities have harassed and closed many of the programs of these NGOs. Belarus possesses the human and natural resources to gradually address the environmental challenges facing the country. Sufficient political will and a willingness to take the steps necessary to facilitate international funding would help to sustain progress in environmental restoration and protection.

Section 498A(a)(8): "deny support for acts of international terrorism."

There is no compelling evidence that Belarus has granted sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism, although there are unconfirmed

reports that Belarus may have aided terrorists from the Caucasus region. Belarus has signed nine and is party to seven of the twelve international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics, including Belarus, signed a Memorandum of Understanding declaring that they were jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other NIS countries, including Belarus, signed an agreement which assigned to each country a share of all the external assets and foreign debt of the former Soviet Union (FSU). The December 1991 agreement provided that Belarus' share of the debt of the former Soviet Union would be 4.13 percent. In 1992, Russia sought to replace the "joint and several liability" principle by seeking full liability for the foreign debt of the FSU in return for all the external assets of the FSU. In July 1992, Belarus signed a "zero-option" agreement with Russia under which Russia agreed to pay Belarus' share of the foreign debt of the FSU in return for Belarus' share of the external assets of the FSU.

Please see section 498A(a)(9) of the Russia assessment below regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in Belarus is conducted through the U.S.-Russian Joint Commission on POWs/MIAs established in March 1992. Beginning in 1997, however, U.S. officials held several meetings directly with Belarusian officials toward establishing a bilateral agreement. Meetings have continued, although due to the poor state of U.S.-Belarusian relations, the conclusion of an agreement has been delayed.

Section 498A(a)(11): 'terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance.'

We have no evidence from which to conclude that the Government of Belarus is currently providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba. Given all information at hand, all trade is believed to occur on market terms.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

BELARUS

Section 498A(b)(1): Has the President determined that the Government of Belarus has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law?"

No. The President has not made such a determination at this time. However, as discussed above, we continue to have serious and increasing concerns about the Lukashenko regime's human rights record.

Section 498A(b)(2): Has the President determined that the Government of Belarus "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union?"

No. We do not believe that the Government of Belarus has failed to take such actions. However, we are very concerned about the Belarusian Government's decision not to destroy the SS-25 launch pads, despite offers of USG assistance. This situation has continued for several years and the Start I implementation deadline is growing closer. If this situation continues, we may need to conduct inspections of the sites under START terms. We are concerned about the implications of President Lukashenko's statements regarding the removal of nuclear weapons from Belarus.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Belarus knowingly transferred to another country:

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determined that the material, equipment, or technology was to be used by such country in the manufacture of such weapon?"

We have received occasional reports of transfers potentially related to proliferation involving Belarus, which we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports has resulted in a sanctions determination during the reporting period.

Section 498A(b)(4): Is the Government of Belarus "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of Belarus "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government?" If so, has the President taken action to withhold assistance from the Government of Belarus under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We do not have information from which to conclude that the Government of Belarus is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

GEORGIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Since 1991 Georgia has made progress toward the implementation of a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections. The Georgian parliament adopted a new constitution in August 1995. Presidential and parliamentary elections were held for the first time under the new constitution on November 5, 1995. Local elections were held for the first time in November 1998, although the central government will continue to appoint some local officials, including regional governors and the mayors of Georgia's major cities. Parliamentary elections were held for the second time on October 31, 1999; the OSCE stated that, despite some irregularities, the election constituted a step toward compliance with OSCE commitments. However, in presidential elections held on April 9, 2000, the OSCE and other international observers determined that the elections fell short of international standards. Problems included interference by state authorities in the election process; deficient election legislation; not fully representative election administration; and unreliable voter registers. Local elections are scheduled for fall 2001.

Parliament has passed significant legislation instituting legal, institutional and procedural reforms supportive of rule of law, individual freedoms and representative government. However, law enforcement agencies have made little progress in adapting their practices to democratic norms. In addition, parliament amended the criminal procedures code in 1999, and several amendments substantially weakened protections against arbitrary arrest and detention.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

During 1998, severe drought, spillover effects of the economic crisis in Russia, and the growing fiscal deficit dampened growth to about three percent. Georgia's macroeconomic performance deteriorated; the government did not adequately address its budget deficit, and government debt ballooned. In July 2000, the Georgian Government and the IMF came to agreement on economic reform requirements, especially in the problem areas of revenue collection, fighting corruption, and addressing external debt. Moreover, during July-November 2000, Georgia made significant improvements in the area of revenue collection. It now appears possible that Georgia will qualify for a new IMF program and Paris Club debt rescheduling in early 2001.

The national bank has allowed the national currency, the lari, to float since 1998. The currency devalued at that time, but has remained relatively stable in 1999 and 2000. Inflation remains under control. The national bank continues to improve banking supervision and meet IMF targets on reserves.

Georgia began to privatize its energy distribution system in 1998: the electric plant at Telasi was privatized in January 1999, and the thermal power plant at Gardabani was privatized in January 2000. Parliament has passed legislation on the privatization of the state telecommunications monopoly, and the Georgian Government plans to privatize the sector through international tender; however, progress has been very slow. Small-scale privatization is virtually complete and 76 percent of medium- and large-scale enterprises have been privatized. About 55 percent of cultivated land has been distributed to private farmers, and a U.S.-inspired land-titling program helped to implement low-cost, transparent titling and registration processes for approximately 300,000 agricultural parcels.

Georgia is a member of the IMF, World Bank and EBRD. Georgia acceded to the WTO agreement on June 14, 2000. Georgia enacted legislation on protection of intellectual property rights as a criterion for WTO accession. An agreement on bilateral trade relations with the United States, which provides mutual Normal Trade Relations (formerly MFN)

treatment and contains intellectual property rights provisions, entered into force in August 1993; a bilateral investment treaty entered into force in August 1997. On October 26, 2000, Congress authorized the President to determine that the provisions of Title IV of the 1974 Trade Act ("Jackson-Vanik") should no longer apply to Georgia; such a Presidential determination extending Permanent Normal Trade Relations status to Georgia is expected in the near future. An Overseas Private Investment Corporation agreement has been in force since 1992, and Georgia has submitted a letter to the United States Trade Representative requesting designation as a beneficiary under the Generalized System of Preferences (GSP), although a continuing investment dispute has delayed consideration of the request.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The government continued efforts to improve its uneven human rights record, but problems remain. The constitution includes significant commitments to human rights principles, and in 1995 the parliament restructured the state human rights protection body to strengthen ombudsman functions. A human rights ombudsman was appointed in fall 1997. In 1996, parliament passed legislation designed to strengthen the court system and increase judicial independence. There has been some progress in the area of allowing international monitors access to prisons and detainees, but some officials continue to impose restrictions on a case by case basis. Freedom of religion is generally respected, as is the freedom of foreign and internal travel and emigration. However, local police and security officials at times have harassed foreign missionaries or failed to intervene to prevent harassment; in summer 2000 police actively participated in violent citizen attacks on Jehovah's Witnesses and Baptists. Some limitations on the press remain, and in summer 2000 several journalists reported intimidation by police and officials in the Ministry of Justice.

Despite government commitments to address problems, abuse of detainees and prisoners by security and prison officials, deaths in custody, extremely harsh prison conditions, judicial corruption, denial of fair and expeditious trial, and arbitrary interference with privacy continue.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

While progress has been made toward the observance of international legal obligations and OSCE commitments in the area of human rights, the status of Abkhazia and South Ossetia, two separatist regions within Georgian territory, remains unresolved. The United States continues to work bilaterally and with the UN, the OSCE and other nations to encourage all parties to pursue a peaceful resolution of both conflicts in a manner that safeguards both the territorial integrity of Georgia and the rights of individuals belonging to ethnic minorities. In November 1999, Georgia joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

President Shevardnadze has consistently stressed Georgia's commitment to negotiate a peaceful settlement to the conflict in Abkhazia. He has pledged to continue this approach despite Abkhazia's unilateral declaration of independence in November 1994, the holding of presidential elections and adoption of a constitution in October 1999, and its continuing demand that any settlement grant the region equal status with the government in Tbilisi. Negotiations under the auspices of the UN continue. Special Representative of the UN Secretary General (SRSG) Dieter Boden worked during the reporting period to introduce draft proposals on the distribution of constitutional competencies between Georgia and Abkhazia. Since 1992, an OSCE mission has been working in Georgia to facilitate a political settlement of the South Ossetia dispute. The Georgian Government has fully supported the mandate of the OSCE mission, which includes developing democratic institutions and encouraging respect for human rights throughout Georgia.

The Georgian Government and representatives of the Abkhaz separatist regime have cooperated with the UN and OSCE, which established a human rights office in Sukhumi, the capital of Abkhazia. The office monitors the human rights situation in the region and encourages practices consistent with international human rights standards.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Georgia has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Treaty's Special Verification Commission, Georgia continues to observe the Treaty's obligations.

Georgia ratified the CFE Treaty in 1992 and the 1996 Flank Agreement in 1997. In the period since, Georgia has participated actively in negotiations to adapt the CFE Treaty, which culminated at the November 1999 OSCE Summit with signature by all 30 CFE states of an agreement on CFE adaptation. The Government of Georgia has consistently made clear its commitment to achieving full implementation of the CFE Treaty, of which President Shevardnadze (as Soviet Foreign Minister) was a major architect. Georgia is in full compliance under CFE and has accepted CFE inspections of forces on its territory.

At the November 1999 OSCE Summit at Istanbul, Georgia successfully reached an agreement with Russia on a timetable for the withdrawal of some of its forces and equipment from Georgia, and closure of two of four Russian bases on Georgian territory, thus addressing an important Georgian security concern. The Russian Federation undertook both to reduce the levels of its CFE Treaty-limited equipment (TLE) located within the territory of Georgia in such a way that they will not exceed 153 tanks, 241 ACVs and 140 artillery systems; and to withdraw or dispose of all of the TLE from the Russian military bases at Vaziani, Gudauta, and repair facilities in Tbilisi by December 31, 2000. The Russian military bases at Gudauta and Vaziani will be disbanded by July 1, 2001, and issues of future utilization, including possible joint utilization, of those facilities and infrastructure will be decided in the same time frame. It was also agreed that during the year 2000, Russia and Georgia would complete negotiations regarding the duration and modalities for future functioning of the Russian military bases at Batumi and Akhalkalaki, Georgia. Beginning in August 2000, Russia began carrying out its commitment to remove equipment from the bases at Vaziani, Akhalkalaki and Gudauta; the United States has allocated up to \$10 million to facilitate these withdrawals and U.S.-led inspection teams have observed equipment withdrawals under transparency arrangements negotiated by the United States, Russia and Georgia. Russian and Georgia have not yet finalized modalities for the closure of the Vaziani and Gudauta, or the duration of a temporary deployment at Akhalkalaki and Batumi.

Georgia has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1996-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

The United States is helping to enhance Georgia's security through the Foreign Military Financing (FMF), International Military Education and Training (IMET), and Excess Defense Article (EDA) Programs. While other countries have also provided some military assistance, the Georgian military remains ill-equipped. The Government of Georgia has established as a priority the development of the indigenous ability to control its borders. In November 1999, the last Russian border guards departed Georgian territory. This was made possible, in large part, by assistance provided through the U.S.- Georgian Border Security and Law Enforcement Program.

Georgia has not engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. Georgia acceded to the Nuclear Non-Proliferation Treaty as a non-nuclear-weapons state on March 7, 1994. Georgia has ratified the multilateral Chemical Weapons Convention, which calls for the eventual elimination of chemical weapons. Georgia is also a State Party to the Biological Weapons Convention, which prohibits the development, production, and stockpiling of bacteriological and toxin weapons. Additionally, Georgia signed the CTBT in 1996, but has not ratified it. We do not believe that Georgia has engaged in significant transfers of conventional weapons. In addition to contacts with other western governments, Georgia has closely engaged with the United States on cooperative efforts to establish an effective export control system. In 1999 Georgia adopted a new law on export controls and recently reorganized its export control structure, placing the Ministry of Foreign Affairs as the lead agency. The only control list in use is that of the CIS, but Georgia committed during the 1999 Caucasus and Central Asia Regional export Control Forum to adopt the EU List. The Government of Georgia was a very warm host of the 1999 conference, and export controllers used the attention it attracted to strengthen its export control system internally.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Georgia faces an array of environmental problems ranging from air and water pollution to deterioration of soils as a result of agricultural methods used under the Soviet regime. Deforestation is also a serious problem due to a continuing shortage of energy from natural gas and oil.

The Government of Georgia has taken some steps to put in place public policy mechanisms to address environmental issues, including establishment of a ministry of environment. A National Environmental Action Plan and a biodiversity strategy are under preparation. National environmental NGOs are gaining access to the policy-making process on

environmental issues, and key parliamentary leaders, including the chairman, are former leaders of the Green Party. Georgia has shown an interest in regional cooperation on environmental issues and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on transborder and international environmental issues. In November 2000, Georgia signed an agreement with the United States formally establishing the Regional Environmental Center in the Caucasus, located in Tbilisi. The United States and the European Union are supporting and co-financing the establishment of this independent, non-profit, and non-political organization, the mission of which will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making. The World Bank has also undertaken a program, administered in cooperation with the National Park Service of the Department of the Interior, to help Georgia protect habitats, promote biological diversity and environmental protection, and develop management of park and natural areas. Georgia has also acceded to the Kyoto Protocol.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Georgia does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism.

Beginning in autumn 1999, Russia has charged Georgia with allowing Islamic fundamentalists providing support to the Chechen insurgents to use Georgia as a staging area and transit point for fighters and materiel. Georgia has made good faith efforts to close its border with Chechnya to fighters and those who wish to smuggle money, weapons and supplies to them, but has been hindered by lack of resources. The U.S. Government will provide \$18 million in FY 2001 to enhance Georgia's ability to control its borders. Georgia has signed four of the twelve international counter-terrorism conventions, three of which Georgia has ratified.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other NIS countries signed an agreement that assigned to each country a share of all the external assets and foreign debt of the former Soviet Union (FSU). Georgia signed both the October and December 1991 agreements. The December 1991 agreement provided that Georgia's share of the FSU debt would be 1.62 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. Although Georgia signed an agreement with Russia transferring Georgia's share of the FSU debt to Russia in exchange for its share of FSU assets (the so-called "zero option") on September 14, 1993, the parliament has not ratified it. In October 2000, Georgia proposed opening a new round of negotiations on this issue, but in December 2000 Georgia agreed to accept the "double-zero" option in return for assurances that Russia will support rescheduling of Georgia's external debt.

Please see section 498A(a)(9) of the Russia assessment below regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The Commission visited Georgia in May 1996 and met with President Shevardnadze and other high level officials, who promised cooperation.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence to indicate that the Government of Georgia is providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

GEORGIA

Section 498A(b)(1): Has the President determined that the Government of Georgia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No such pattern exists. Respect for human rights is declared policy and, in practice, many human rights are generally respected. There are continuing serious shortcomings, however, in regard to treatment of detainees and prisoners by police and prison officials, as well as worrisome shortcomings in the areas of freedom of religion and the press. The government has prosecuted some officials responsible for such abuses, and the parliament is addressing the need for law enforcement reform. We remain committed to addressing these problems not only through diplomatic efforts but also through assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Georgia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. While there were minor flaws in its implementation record in the first years after independence, Georgia has been a constructive and responsible participant in arms control undertakings.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Georgia "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Georgia in 2000.

Section 498A(b)(4): Is the Government of Georgia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Georgia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Georgia under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We do not have information from which to conclude that the Government of Georgia is providing assistance for, or engaging in non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

KAZAKHSTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Political power in Kazakhstan is concentrated heavily in the presidency. President Nursultan Nazarbayev, who was the head of the Communist Party in Kazakhstan prior to independence, has been his nation's only leader since the break-up of the Soviet Union. He strengthened his political grip in 1995 when he dissolved the parliament and stage-managed two Soviet-style referenda, both marred by serious irregularities. The first approved a new constitution that increased the power of the presidency at the expense of the legislature. The second allowed him to extend his term in office until the year 2006, past the constitutionally mandated retirement age of 65. A law passed in June 2000 would allow President Nazarbayev, as the country's first president, to maintain certain policy prerogatives and a seat on the National Security Council after he leaves office.

On October 8, 1998, Nazarbayev accepted the largely subservient parliament's request to hold an early election in January 1999, almost two years ahead of schedule. On November 30, only three candidates other than Nazarbayev were officially registered to run: a senator, the head of the State Customs Committee, and the head of the Communist party. The first two candidates were widely considered to be handpicked presidential supporters. Two opposition candidates were determined to be ineligible to run for president in accordance with amendments made in April 1998 to the election decree which barred persons with administrative convictions from the previous twelve months to run for election. Former Prime Minister Kazhegeldin, a leading Nazarbayev opponent, was barred because he had been convicted of attending an unsanctioned meeting, and anti-nuclear activist Asylbek was disqualified for organizing an unsanctioned demonstration. Because election preparations failed to provide for an electoral process that would meet Kazakhstan's commitments as an OSCE participating state, the OSCE did not mount an observer mission. On January 10, 1999, President Nazarbayev was elected to a new seven-year term in an electoral process that the OSCE determined fell far short of its standards for open, free, and fair elections. The OSCE noted that on short notice, the election date was advanced by more than two years, giving candidates little time to organize campaigns. The government used a restrictive electoral law to limit the field of serious candidates based on convictions for political offenses. Candidates received unequal access to the media, and there were numerous instances of intimidation of voters and the opposition prior to the election.

After the presidential election, Kazakhstan made significant legal and procedural improvements to the election system in preparation for October 10 elections to the lower house of parliament (Majilis) and regional and local legislatures. Although the changes fell short of OSCE recommendations, the OSCE noted the positive new electoral regulations, a pre-election atmosphere of greater pluralism, including extensive media coverage and debates, and improved administration of polling places. In view of these improvements and the Kazakhstani Government's stated commitments to implement reforms, the OSCE determined that a full observation team was warranted.

The OSCE's preliminary assessment characterized the parliamentary elections as a "tentative step in the country's transition to democracy," but found that despite the improvements, the electoral process fell short of OSCE standards in a number of ways. Preparations were undermined by illegal interference, unfair campaign practices by parties most closely associated with existing power structures, threats of official measures jeopardizing media operations, and intimidation and obstruction of opposition candidates' campaigns. The OSCE criticized the defective election law, including its candidate disqualification provisions. The Government of Kazakhstan failed to ensure the transparency of parliamentary election results, leading many to question the new parliament's legitimacy. In its preliminary report, ODIHR cited evidence of falsified vote protocols, precinct voting results adjusted by district election officials and restrictions on observers' access to the tabulation process at the district levels. ODIHR found that almost invariably, local and regional executive officials interfered with the voting process and gave instructions to electoral commissions. In addition, three races were annulled after the second round. Under Section 96.4 of the election law, all candidates who ran in October were disqualified from the December 26 rerun elections.

A key indicator of the Kazakhstani Government's commitment to reform will be how it follows through on OSCE recommendations. To date, Central Electoral Commission Chair Baliyeva had only taken partial steps to fulfill some of her post-parliamentary election assurances. She gave ODIHR copies of her letter to President Nazarbayev requesting her discipline 19 local officials for interfering with voting in 12 oblasts and her letter to Prime Minister Tokayev asking the Kazakhstani Government to propose parliament remove Section 96.4 from the electoral law. Baliyeva did not indicate how the government has addressed the more than 400 complaints filed with the CEC or the more than 1000 complaints filed with its media subdivision on the conduct of the election. In February the Kazakhstani Government and ODIHR agreed to launch a series of broadly inclusive roundtables to review OSCE recommendations for electoral reform. The first roundtable took place September 2 with the leading opposition parties fully represented – an unprecedented democratic encounter. The process should continue with three more roundtables in 2001. However, on September 11 Kazakhstan's Central Elections Commission announced that new electoral commissions would be formed throughout the country, beginning as early as two days later. The CEC rushed through this process without any warning or pressing need—and before the roundtable on the independence of electoral commissions, tentatively scheduled for January.

In Kazakhstan political institutions and the parliament are dominated by the executive branch. Currently, the parliament cannot initiate changes to the constitution or exercise oversight over the executive branch. It remains to be seen how the new parliament will interact with the government. The outgoing parliament had to some degree asserted itself on budget, social and environmental issues, but in the end toed the executive's line. The former parliament had sought contact and advice from other national assemblies, including the U.S. Congress. It had also become more active in the drafting of legislation and had incorporated feedback from non-governmental organizations in its efforts.

The 1995 constitution placed the judiciary under the control of the president and the executive branch. Government interference and pressure compromise the court system's independence. The president has the power to appoint judges, local governors, and the cabinet. Judges are beholden to the executive branch, underpaid, and susceptible to corruption. There is no tradition of judicial independence. The constitution establishes the necessary procedures for a fair trial. Trials are public, defendants have the right to be present, the right to counsel, and the right to be heard in court and call witnesses for the defense. There is also a presumption of innocence and the right of appeal. However, a gap exists between these principles and actual practice.

Although Kazakhstan is politically stable, concerns remain that political authoritarianism and corruption undermine its stability in the medium- to long-term. The Constitution and laws generally provide for basic freedoms, but the Government restricts these in practice.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Since independence, Kazakhstan has taken important steps toward development of a market-based economy and has tried to create an attractive business climate for foreign investors. A bilateral investment treaty between the U.S. and Kazakhstan entered into force in January 1994. Laws requiring fair treatment for foreign investors have been enacted. The American Chamber of Commerce is active in Almaty and the U.S.-Kazakhstan Business Association was created in 1999 in Washington, D.C.

The bulk of industry has been privatized, including over 80 percent of small enterprises. Several large state enterprises have sold partial interests to private investors. The privatization of Kazakhstan's "blue-chip" enterprises has been delayed repeatedly, however. Regulatory improvements would help make these blue-chip enterprises more attractive to foreign private investors.

Kazakhstan's macroeconomic performance in 2000 was strong due to high world energy prices, improved economic conditions among its primary trading partners, and prudent macroeconomic policies. Building on the modest GDP growth of 1.7 percent in 1999, Kazakhstan is expected to post eight-percent GDP growth for 2000. This strong economic performance enabled Kazakhstan in May 2000 to pay its full \$400 million debt, up to seven years early, to the International Monetary Fund. However, the favorable economic climate has prompted concern that the Government of Kazakhstan may be tempted to delay some structural reforms.

Kazakhstan started on a three-year, \$400 million IMF Extended Fund Facility program in December 1999. The program is currently under review, pending agreement on a revised macroeconomic framework to reflect the more favorable external environment, the recovery of momentum on structural reform, and increased transparency on budgetary aspects of oil sector operations.

From independence in 1991 to the end of the third quarter of 2000, Kazakhstan attracted more than \$8.3 billion in direct foreign investment, mostly in the oil and gas sector. U.S. companies have invested more than \$2 billion, making the U.S. the largest foreign investor in Kazakhstan. Although many steps toward creating a more Western-style business environment have been taken, a deficient legal infrastructure, frequent tax changes, and a cumbersome and often corrupt bureaucracy pose serious obstacles to foreign investors. There are signs the environment for business may be improving slightly. Dramatic increases this year in oil and mineral prices boosted the economy. A joint government-private sector working group on labor and work permit issues has reduced the number of licenses required to import foreign labor, but difficulties in this area remain. The Ministry of Labor instituted a quota limiting the total number of foreign workers to 10,500 in 2000. The Ministry expects to retain quota requirements for several years. In December 1999, the U.S. Agency for International Development and the Kazakhstan Agency for the Regulation of Natural Monopolies, Protection of Competition and Support for Small Business signed a Memorandum of Understanding to cooperate to improve the climate for the development of small business.

Kazakhstan applied for accession to the World Trade Organization (WTO) in 1996. The U.S. Government has been providing technical assistance in Kazakhstan's accession process. Kazakhstan submitted its proposals on services, technical barriers to trade, IPR policies, and SPS issues in October 2000 and hopes to begin bilateral negotiations in early 2001. Kazakhstan acceded to the Berne Convention for the Protection of Literary and Artistic Works on January 12, 1999, with entry into force on April 12, 1999. Kazakhstan ratified the WTO Performance and Phonograms Convention on June 7, 2000.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

Post-Soviet Kazakhstan still has much work to do to meet its OSCE commitments and to respect internationally recognized human rights. Democratic institutions remain weak and the government infringed on citizens' rights to change their government. The legal structure, including the 1995 constitution, does not fully safeguard human rights. The gap between law, including the constitution, and actual practice undermines citizens' faith in public institutions and rule of law.

Members of the security forces tortured, beat or otherwise abused detainees; a few detainees died as a result of the abuse. Already harsh prison conditions continue to deteriorate. There were instances of arbitrary arrest, and prolonged detention without charge is a problem. Law enforcement officials routinely exploit minor infractions of the law to arrest and detain government opponents and have also used such technicalities to harass foreign businessmen. However, in 2000 the government took steps against the torture and other abuse of detainees and prisoners. President Nazarbayev denounced the "widespread" police use of torture in an April 19 speech to law enforcement officials. In September he endorsed the transfer of authority over prisons from the interior ministry to the justice ministry, a step human rights defenders advocated as essential to reduce abuse of prisoners. There appeared to be an increase in the number of criminal actions taken against police for abusing detainees, although human rights observers believe that the cases brought against police cover only a small fraction of the incidents of police abuse of detainees, which they characterize as routine, and they assert that the legal system remains riddled by corruption.

The constitution and 1999 Press Law provide for freedom of the press. After several years of relative non-interference with the independent media, in late 1996, the government and Nazarbayev loyalists began acquiring control or ownership of most independent outlets. The government continues to own and control printing and distribution facilities and to subsidize publications, including many that are supposedly independent. No independent media have national broadcast coverage and only one independent newspaper has national distribution. There are hundreds of independent regional broadcast and print media. The government continues to take actions against independent and opposition media that published or broadcast stories of sensitivity to the government. President Nazarbayev in an April 19 speech to law enforcement officials called for greater law enforcement scrutiny of the mass media to verify compliance with the media and national security laws and how the media are financed. These government actions did not appear to represent a change of policy. However, human rights advocates charged that the tone of the president's speech reinforced a climate of media self-censorship and law enforcement harassment of the media.

Independent mass media representatives in Kazakhstan have been publicly critical since October of two draft media law amendments currently pending in Parliament. One amendment would limit foreign programming to 20 percent of total programming volume on television and radio. The provision could drive some independent broadcasters, which cannot afford to produce more local programming, off the air. The other amendment would require domestic web sites to register with the relevant state authorities as media outlets. It also stipulates that media bear responsibility for all material they transmit, irrespective of the source.

The government sporadically infringes on citizens' rights to privacy. Kazakhstan's authorities are believed to tap phones and monitor the correspondence of some members of the political opposition. Freedom of assembly is sometimes restricted and is hindered by complicated registration requirements for organizations and political parties. The government retained in the revised May election law a provision that bars from candidacy anyone convicted within a year of the election of administrative offenses, including such political offenses as participating in an unauthorized demonstration.

Freedom of association, while generally respected, is hindered by complicated registration requirements. Organizations must apply to the local authorities for a permit to hold a demonstration or public meeting at least 10 days in advance, or the activity will be considered illegal. In most cases, local officials issued necessary permits. Some organizers of unsanctioned demonstrations have been arrested and fined or imprisoned. Opposition activists have been denied at the last minute permission to use rented facilities, reportedly at the instruction of Kazakhstan's security officials.

The constitution provides for the right to emigrate and the right of repatriation; both are respected in practice. The Committee for National Security (KNB) has legal authority to deny permission to travel in and out of the country, but emigration is not hindered. Refusals to grant exit visas are rare. Most pertain to government opponents subject to pending legal action as a result of their political activity.

The government generally respects freedom of religion and various denominations worship without government interference. However, the government sometimes harasses Islamic and Christian groups whose members it regards as religious extremists. Government officials have frequently expressed concerns about the potential spread of religious extremism from Afghanistan and other states. Despite their concerns about regional security threats from groups claiming a religious basis, the government has until the present refrained from imposing new legal restrictions on religious freedom. However, the Government of Kazakhstan is once again considering amendments to its religion law to focus on limited specific points such as requiring religious groups to allow members to get a secular education. A potentially more restrictive proposal would involve authorizing a national Islamic authority to decide which Muslim groups represent "true" Islam. Groups not meeting this bar would not be allowed to practice. The Culture Minister indicates that these changes are motivated by a desire to control Muslim extremism and to regulate the activities of missionaries. The Committee for National Security has characterized the fight against "religious extremism" as a top priority. Representatives of Jehovah's Witnesses also alleged incidents of harassment by a number of local governments.

The constitution states that "everyone is equal before law and court. No one may be subjected to any discrimination for reasons of origin, social position, occupation, property status, sex, race, nationality, language, attitude to religion, convictions, place of residence, or any other circumstances." The government continues its campaign of "Kazakhification" of official positions. As a result, most of Kazakhstan's ruling elite, including nearly the entire Cabinet, are ethnic Kazakhs, although ethnic Kazakhs account for only about half of the population. Kazakh is the state language, although Russian is officially used on an equal basis in organizations and bodies of local self-administration.

Women, the disabled and ethnic minorities face considerable societal discrimination. The government has tried to limit the influence of independent trade unions, both directly and through its support for state-sponsored unions. Members of independent trade unions have been harassed.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Kazakhstan has made a strong commitment to respect its international legal obligations and OSCE commitments to refrain from the threat or use of force and to settle disputes peaceably. Kazakhstan is at peace with its neighbors and has defensive military forces that do not pose an offensive threat to the region. Kazakhstan is also a strong proponent of dialogue and cooperation among the states of the former Soviet Union. Kazakhstan is an active member of the Partnership for Peace.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Kazakhstan supports regional and international efforts to resolve peacefully the conflicts in Tajikistan and Afghanistan. Kazakhstan is committed to establishing a multi-ethnic national identity and is generally sensitive to the concerns of the large ethnic Russian community in Kazakhstan.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Kazakhstan was one of the four Soviet successor states with nuclear weapons on its soil when the Soviet Union broke up and the second Soviet successor state to accede to the NPT as a non-nuclear weapons state, doing so in February 1994. All nuclear weapons were removed from its territory by the end of April 1995. It has also ratified the START I treaty and eliminated all strategic offensive arms under START I well ahead of schedule. Kazakhstan is a successor state party to the INF treaty and has been an active participant in their implementation by virtue of its representation on those treaties' respective implementation commissions, the JCIC and SVC. Kazakhstan has also indicated its wish to be considered a successor state under the ABM Treaty, and has participated in the SCC, the implementation commission established by that treaty. Since 1994 Kazakhstan has been a member of the Moscow-based International Science and Technology Center, a multilateral nonproliferation program redirecting former weapons of mass destruction scientists to peaceful activities. The government is also committed to maintaining a military force consistent with legitimate defense requirements. The Government of Kazakhstan has consistently stated that it is against its policy to transfer conventional weapons to rogue states, or to engage in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. We do not believe that it has engaged in transfers of, or in the proliferation of, nuclear, biological, or chemical weapons, their delivery systems, or related technology.

However, the 1999 transfer of MiG-21 fighter aircraft from Kazakhstan to North Korea raised serious questions about the government's controls on conventional military technology and its commitment to non-proliferation in this area. As a result of our interaction with Kazakhstan on this matter, Kazakhstan provided extensive, concrete nonproliferation commitments and agreed to take specific steps to ensure that no such transfers occur in the future. In October, Kazakhstan passed a new export control law, and U.S. export control cooperative efforts continue to work to prevent future transfers. In the context of resolving the MiG-21 case, we have also urged the Government of Kazakhstan to ensure that its missile-related policies and practices were consistent with international standards, and in particular, the Missile Technology Control Regime.

Kazakhstan became a state party to the Chemical Weapons Convention (CWC) on March 23, 2000. In September 2000, we completed the first site visit to three chemical weapons storage facilities as part of the Kazakhstani Government's undertakings regarding nonproliferation in the wake of the MiG transfers to North Korea. Efforts are under way to coordinate a second trip to several possible chemical weapons production facilities. A full assessment of these visits will be conducted before a judgement on Kazakhstan's compliance with the CWC can be determined. Kazakhstan attended the Fifth Biological Weapons Convention review conference as an observer and is actively reviewing whether to accede to the treaty. Kazakhstan signed the Comprehensive Nuclear Test Ban Treaty in September 1996, but has not yet ratified it.

Kazakhstan ratified the CFE Treaty on October 30, 1992. It ratified the CFE Flank Agreement on May 14, 1997. Kazakhstani representatives have participated actively in the CFE Joint Consultative Group, the body responsible for CFE implementation, as well as in the CFE adaptation negotiations completed in November 1999. Kazakhstan signed the CFE adaptation agreement at the November 1999 OSCE Summit in Istanbul. Finally, Kazakhstan has never declared CFE Treaty-Limited Equipment (TLE) in the portion of its territory covered by the Treaty. It has provided annual notification that it has no TLE in the area of application in past years.

Kazakhstan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

We worked closely with Kazakhstan to dismantle nuclear weapons facilities at Semipalatinsk and the destruction of delivery systems, such as Soviet-era bombers. The last nuclear weapons test tunnel at the former Soviet nuclear test site at Degelen was closed in July 2000. Kazakhstan signed a full-scope IAEA safeguards agreement in July 1994, which entered into force in August 1995. Although Kazakhstan is not a member of the Nuclear Suppliers Group, it has expressed an interest in joining. The Agreement for the Peaceful Uses of Nuclear Energy, signed by the United States and Kazakhstan in 1997 after Kazakhstan provided the requisite assurances of non-cooperation with proliferating states, entered into force in November. The United States and Kazakhstan continued cooperation on the decommissioning and disposition of spent fuel at the BN-350 reactor at Aktau and agreed to further technical discussions to develop the strategy for the disposition of spent fuel. The U.S. Nuclear Regulatory Commission and the Kazakhstan Atomic Energy Committee also renewed their agreement for nuclear safety cooperation through 2004. Prime Minister Tokayev issued a decree in October 1999 exempting from taxes U.S. assistance funds paid to Kazakhstan's scientists under the Initiative

for Proliferation Prevention (IPP) projects, allowing the resumption of six projects that had been suspended over this issue and the funding of four new projects by the United States. The USG has agreed to fund an "Ecological Survey of Industrial Sites" environmental monitoring project at Stepnogorsk through the International Science and Technology Center in cooperation with the U.S. Environmental Protection Agency.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant trans-border pollution, and promote sustainable use of natural resources."

Kazakhstan suffered severe environmental degradation under Soviet rule. There is broad-based support for domestic protection of the environment. The government's resources are inadequate to address some of the world's most challenging environmental problems: desiccation of the Aral Sea, protection of the fragile Caspian ecosystem, remediation of the Semipalatinsk nuclear testing range, clean-up of Baykonur launching facility, extremely polluted cities, desertification, and development of mechanisms for regional transboundary water management. Reduced health and agricultural spending have contributed to a tuberculosis epidemic and a serious locust invasion in 1999.

The government has shown an interest in regional cooperation on environmental policy and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on trans-border and international environmental problems. It has taken some steps to establish public policy mechanisms to address environmental issues, including the establishment of a Ministry of Environment and the introduction, at least on an experimental basis, of a pollution fee system by which taxes are levied on air and water emissions and solid waste disposal, with the resulting revenues channeled to environmental protection activities. National environmental NGOs are gaining access to the policy-making process on environmental issues.

Kazakhstan has signed the Kyoto protocol and is one of only two developing countries to announce that it intends to take on the obligations of an Annex I Party to the United Nations Framework Convention on Climate Change and to assume a binding target to limit greenhouse gas emissions under the Kyoto Protocol. Kazakhstan has joined the newly-formed Central Asia, Caucasus and Moldova (CAC&M) group, a sign that Kazakhstan intends to become more active in climate change negotiations. The U.S. plans to continue supporting Kazakhstan's efforts to develop environmentally beneficial and economically feasible measures to combat global climate change.

Kazakhstan adheres to provisions of the 1998 Syr-Darya Water and Energy Agreement that entails providing energy to Kyrgyzstan in exchange for Kyrgyzstani management of upstream water. Kazakhstan has also expressed willingness to cooperate in developing laws on water rights and water user associations.

In 1999, Kazakhstan signed and ratified its instruments of ratification to the Convention on International Trade in Endangered Species (CITES), which will facilitate further efforts to conserve threatened and endangered species in the area. The U.S. is exploring the provision of training related to CITES implementation, obligations and enforcement. Kazakhstan discusses Caspian Sea environmental protection issues regularly with the other Caspian littoral states. Kazakhstan has been an active and constructive player in regional and international efforts to alleviate the deteriorating environmental conditions and foster regional cooperation in the Aral Sea basin. In line with the Nukus Declaration of September 1995, President Nazarbayev is also president of the International Fund for Saving the Aral Sea. Kazakhstan has worked with the World Bank and international donors on a 15- to 20-year plan to stabilize the Aral Sea.

The United States and the European Union are working together to establish an independent, non-profit and non-political Regional Environmental Center (REC) to serve the countries of Central Asia. The mission of the REC will be to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making. The proposal to provide funding to establish the REC headquarters in Almaty is currently in the interagency clearance process.

Section 498A(a)(8): "deny support for acts of international terrorism."

Kazakhstan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. At our bilateral Joint Commission session in December 1999, our two governments pledged to collaborate in the fight against international terrorism and signed a joint statement on terrorism. Kazakhstan is a party to five of the twelve international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other NIS countries signed an agreement that assigned to each country a share of all the external assets and foreign debt of the former Soviet Union (FSU). Kazakhstan signed both the October and December 1991 agreements. The December 1991 agreement provided that Kazakhstan's share of the FSU debt would be 3.86 percent. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the foreign debt of the FSU in return for all the external assets of the FSU. On September 6, 1993 Kazakhstan signed a "zero option" agreement with Russia under which Russia agreed to pay Kazakhstan's share of the foreign debt of the FSU in return for Kazakhstan's share of the external assets of the FSU.

Please see section 498(a)(9) of the Russia assessment below regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The U.S. side of the Commission visited Kazakhstan in August 1994, and Kazakhstan promised cooperation on the POW/MIA effort. The government has been cooperative with all related interviews conducted in Kazakhstan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

Kazakhstan is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961

KAZAKHSTAN

Section 498A(b)(1): Has the President determined that the Government of Kazakhstan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law?"

No. Although there are serious concerns about Kazakhstan's human rights record (as discussed above), we do not believe that the government is engaged in such a pattern. We will work to better address these problems not only through our diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Kazakhstan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union?"

No. Kazakhstan has taken a significant number of such constructive actions (as discussed above), including elimination of all strategic offensive arms under START I well ahead of schedule. Kazakhstan deposited its instrument of accession to the NPT in 1994.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Kazakhstan "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon?"

No such determinations have been made.

Section 498A(b)(4): Is the Government of Kazakhstan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No. We do not have information from which to conclude that Kazakhstan is prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Kazakhstan "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Kazakhstan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30 day period?"

No. We do not have information from which to conclude that the Government of Kazakhstan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

KYRGYZSTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Kyrgyzstan has expressed a commitment to human rights, democracy and the rule of law, but the government's recent actions have not appeared to reflect its verbal commitments. Kyrgyzstan had made important progress since gaining independence in 1991, but the government reversed this trend over the past year. Multi-candidate parliamentary and presidential elections took place in February and October 2000, respectively. Despite significant gains in electoral law and regulation, and unprecedented participation by independent domestic observers, both elections were marred by serious irregularities, including ballot stuffing. Indeed, OSCE monitors concluded that both elections fell short of OSCE standards for free and fair elections. The constitution defines the form of government as a democratic republic, but President Askar Akayev dominates the Government. The constitution also provides for an independent judiciary, but despite extensive judicial reforms and a large body of new law, the judiciary continues to be dominated by the executive branch. In particular, the Government of Kyrgyzstan used the criminal justice system to disqualify a number of prominent opposition candidates from the parliamentary and presidential elections. Criminal libel laws and inconsistent application of tax laws were also used to weaken financially and or shut down independent media organizations.

There are numerous independent newspapers and magazines in Kyrgyzstan that are often critical of the government and although they are allowed to operate freely in principle, most face periodic harassment from executive and judicial authorities. During the 2000 election season, the government shut down or bought out some print and electronic media outlets, and arrested a number of journalists apparently as a direct result of their criticism of government conduct and/or their support of opposition political candidates. In December 1997 the Kyrgyz parliament overrode a presidential veto of a new media law that restricted journalistic freedom. Attempts to make libel a civil rather than a criminal charge were defeated in parliament by an overwhelming majority. The October 1998 referendum resulted in language added to the Constitution precluding parliament from passing laws that infringe on free speech, but implementing legislation has not yet been developed.

Despite its commitment, the government's human rights record is poor in many areas. There were credible reports of police abuse and brutality. Prison conditions are very poor, and there were many cases of arbitrary arrest and detention.

Kyrgyzstan's constitution gives substantial guarantees of rights for its citizens, including members of non-Kyrgyz ethnic groups. Nevertheless, despite efforts by President Akayev to mitigate the effects of Kyrgyz nationalism, the ethnic Russian and Uzbek populations continue to complain of discrimination by ethnic Kyrgyz officials.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Kyrgyzstan has made significant progress in restructuring its economic system and implementing legislation that will be the basis for a market economy. The national currency, the som, was introduced in May 1993, and parliament has adopted many favorable laws on privatization, joint ventures, foreign trade and investment and free economic zones. Most small and medium enterprises have been privatized. A trade agreement with the United States provides for reciprocal Normal Trade Relations (formerly Most Favored Nation) status and contains intellectual property rights (IPR) provisions. An Overseas Private Investment Corporation (OPIC) agreement is also in force. A bilateral investment treaty with the United States entered into force in January 1994. Kyrgyzstan has committed to avoid imposing restrictions on payments for current international transactions and avoid engaging in multiple currency practices or discriminatory currency arrangements. Kyrgyzstan is a member of the IMF, World Bank, European Bank for Reconstruction and Development, and the Asian Development Bank. In December 1998 Kyrgyzstan was the first former Soviet state to become a member of

the WTO. In June 2000, it was the first to be "graduated" from the provisions of the Jackson-Vanik amendment in Title IV of the Trade Act of 1974.

Kyrgyzstan was the first Central Asian republic to embark on IMF-backed reform programs. The IMF provided approximately \$27 million to Kyrgyzstan in 1999, as part of the three-year, \$100 million Poverty Reduction and Growth Facility (PRGF) signed in June 1998. The World Bank funded two projects worth \$25 million in 1999, and cumulatively through December 1999 has funded 16 projects worth \$335 million. Kyrgyzstan's macroeconomic outlook improved in 2000 due to strong world oil prices and sound policy adjustments. Despite these improvements, high levels of external debt and fiscal deficit threaten to undermine the country's stabilization efforts. Kyrgyzstan has demonstrated renewed commitment to structural reform, particularly in the public and energy sectors, which is critical to avoiding a fiscal balance of payments crisis and continuing the transition to a market economy. Cumulative inflation for the first eight months of the year is 4.8 percent, estimated GDP growth for the first seven months of the year is 8.4 percent, and the Kyrgyz currency (som) depreciated eight percent against the U.S. dollar during the first eight months of 2000.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

Kyrgyzstan's human rights record worsened and is poor in many areas. There were credible reports of police abuse and brutality. Prison conditions are very poor, and there were many cases of arbitrary arrest and detention. The Government at times restricted freedom of assembly and association and harassed human rights groups.

The law provides for freedom of speech and of the press; however, the Government routinely restricts these rights. Journalists have been arrested on several occasions on criminal libel charges. Several of these journalists have served time in jail, but most were either immediately freed or, if convicted, were released with credit for time served. During 2000, independent media outlets came under increasing government pressure, both direct and indirect, apparently as a result of their frank reporting on government and opposition candidates in the national elections.

President Akayev has sought to reassure ethnic minorities while simultaneously trying to satisfy the aspirations of ethnic Kyrgyz for greater national identity. The new constitution includes substantial protection for individuals, including non-ethnic Kyrgyz. Concerns remain over ethnic discrimination, but in general the situation for minorities has improved, and emigration, while free, has decreased.

The Kyrgyz constitution provides for freedom of religion. The government does not support any specific religion and expressly forbids religious instruction in government schools. The government does not, however, fully protect religious rights. A 1996 law requires that religious groups register with the State Commission on Religious Affairs. In practice, the Commission requires each congregation to register separately and does not always process the applications with due promptness. However, there were no known instances in 2000 of the Commission refusing religious groups attempts to register. Some domestic religious groups have experienced governmental interference, especially in rural areas.

Although there is no law on emigration, administrative procedures provide for the free movement of people. Intending travelers and emigrants must present a letter of invitation from their country of destination in order to obtain an exit visa, but there are no reports of citizens being denied a passport or an exit visa after fulfilling this requirement. A presidential decree eliminating the exit visa requirement became effective October 1, 1999, but has not been fully implemented yet. Emigrants are not prevented from returning to the country, and there is reportedly a small but steady flow of returnees.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Kyrgyzstan has made a strong commitment to the observance of international legal obligations and OSCE commitments. The OSCE opened an office in Kyrgyzstan in January 1999. Kyrgyzstan is at peace with its neighbors, and is also a strong proponent of dialogue and cooperation among the states of the former Soviet Union. Kyrgyzstan participates in Partnership for Peace exercises. It also participates with neighboring Uzbekistan and Kazakhstan in a Central Asian Peacekeeping Battalion. Kyrgyzstan cooperated with its neighbors in 1999 and 2000 to repulse a Tajikistan-based group of armed insurgents, led by the Islamic Movement of Uzbekistan, who took hostages in the southern part of the country.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Kyrgyzstan supports regional and international efforts to resolve peacefully the conflict in neighboring Tajikistan as well as in Afghanistan. The Government of Kyrgyzstan is committed to establishing a multi-ethnic national identity and is

particularly sensitive to the concerns of the non-Kyrgyz ethnic groups in Kyrgyzstan, although there are credible allegations of discrimination on the part of individual government officials.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

The Government of Kyrgyzstan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Kyrgyzstan acceded to the NPT on July 5, 1994. Kyrgyzstan is also committed to maintaining a small, defensive military force and National Guard. Kyrgyzstan has said that it is strongly opposed to the proliferation of weapons of mass destruction, their delivery systems or related technologies. The Government of Kyrgyzstan has taken steps to establish a functioning system of export controls. In 1998, the government submitted a draft export control law to Parliament, which passed a first reading. We have received occasional reports of transfers or potential transfers of conventional weapons to state sponsors of terrorism from or through Kyrgyzstan, which we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports resulted in a sanctions determination during the reporting period. We do not believe that Kyrgyzstan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. Kyrgyzstan is a signatory to the 1993 Chemical Weapons Convention. Additionally, Turkmenistan has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Special Verification Commission, it continues to observe the Treaty's obligations.

Kyrgyzstan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant trans-border pollution, and promote sustainable use of natural resources."

Kyrgyzstan suffered severe environmental degradation under Soviet rule, and there is broad-based support for domestic protection of the environment. Kyrgyzstan has shown an interest in regional cooperation on environmental issues, and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on trans-border and international environmental issues. Kyrgyzstan is actively involved in bio-diversity issues and is working with international donors to advance bio-diversity studies. The Government of Kyrgyzstan has taken steps to establish public policy mechanisms to address environmental issues, including the establishment of a State Committee on Environmental Protection. National environmental NGOs continue to improve their access to the policy-making process on environmental issues.

Kyrgyzstan joined the other Central Asian states in a recent decision to locate the headquarters of a Regional Environmental Center (REC) in Almaty, Kazakhstan. The United States and the European Union are supporting and co-financing the establishment of this independent, non-profit, and non-political organization, the mission of which will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making. In 2000, Kyrgyzstan ratified the Framework Convention on Climate Change; the U.S. anticipates further progress toward Kyrgyzstan's signature and ratification of the Kyoto Protocol to this Convention.

Kyrgyzstan has been an active and constructive player in regional and international efforts to alleviate the deteriorating environmental conditions and foster regional cooperation in the Aral Sea basin. The Government of Kyrgyzstan has worked with the World Bank and international donors on a 15- to 20- year plan to stabilize the Aral Sea.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Kyrgyzstan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Kyrgyzstan is not a party to any of the twelve international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 debt to foreign creditors of the Soviet Union. In December 1991, Russia and seven other NIS countries signed an agreement which assigned to each country a share of all the external assets and foreign debt of the former Soviet Union (FSU). Kyrgyzstan

signed both the October and December 1991 agreements. The December 1991 agreement provided that Kyrgyzstan's share of the FSU debt would be 0.95 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In August 1992, Kyrgyzstan signed a "zero option" agreement with Russia under which Russia will pay Kyrgyzstan's share of the debt in return for its share of the assets.

Please see section 498A(a)(9) of the Russia assessment below regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. In November 1995, the U.S. side of this Commission made a successful visit to Kyrgyzstan. The Commission met with senior government officials, including President Akayev. All officials cooperated fully and pledged to do their utmost to locate information on American POWs/MIAs. There is no evidence of any American POWs/MIAs in Kyrgyzstan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence to indicate that the Government of Kyrgyzstan is providing military, intelligence, economic, nuclear, or other assistance to Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

KYRGYZSTAN

Section 498A(b)(1): Has the President determined that the Government of Kyrgyzstan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. We do not believe that the Government of Kyrgyzstan is engaged in such a pattern. Nonetheless, we will work to better address existing problems in the area of democracy and human rights not only through diplomatic efforts but also with our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Kyrgyzstan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Kyrgyzstan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Kyrgyzstan "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We do not believe that the Government of Kyrgyzstan has made such transfers.

Section 498A(b)(4): Is the Government of Kyrgyzstan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information from which to conclude that the Government of Kyrgyzstan is prohibited from receiving assistance by these sections.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of Kyrgyzstan "is providing assistance for, or engaging in, non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Kyrgyzstan under the Foreign Assistance Act with 30 days of such a determination, or has Congress enacted legislation disapproving the determination with that 30-day period?"

No. We do not have information from which to conclude that the Government of Kyrgyzstan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(A) OF THE FOREIGN ASSISTANCE ACT OF 1961

MOLDOVA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Moldova made significant progress toward implementing the rule of law and continued its efforts to make the transition to democracy during FY 2000. In November 1999, the constitutional court declared invalid the non-binding referendum that President Lucinschi had placed on the ballot in the May 1999 municipal elections. The referendum asked voters if they would support amending the constitution to make the president responsible for forming the government (the constitution currently requires parliament to form the government). Although a majority of voters supported the referendum, the court declared the results invalid because President Lucinschi had not obtained the approval of parliament before placing the referendum on the ballot, as required by the constitution. The ruling, and in particular the willingness shown by all branches of the government to abide by the decision, demonstrated the increased independence of the judiciary and a strengthening of the rule of law.

In November 1999, the government of Prime Minister Ion Sturza was dismissed by a vote of no confidence in parliament. The vote came about ostensibly over a bill introduced by Sturza's administration to privatize the wine and tobacco industries. Sturza threatened to resign if parliament voted against the bill, prompting the vote of no confidence in his government. Speculation in the press was that President Lucinschi, viewing Sturza as a possible opponent in the 2000 presidential elections, engineered the vote by convincing several members of Sturza's parliamentary coalition to "defect" and become "independent." These independent members of parliament cast the deciding votes to dismiss Sturza, throwing the government into disarray for several weeks and causing the IMF and World Bank to suspend their lending programs to Moldova. After parliament refused to confirm two nominees, including the leader of the communist bloc in parliament, Dimitru Braghis was finally confirmed by parliament as new Prime Minister on December 21, 1999. Braghis, former First Deputy Minister for Economy and Reform, is a technocrat and only nominally aligned with the ruling coalition in parliament. By confirming Braghis, parliament avoided a deeper crisis, as the constitution requires the president to dissolve parliament and call new elections after three unsuccessful attempts to form a government.

In July 2000, parliament passed a constitutional amendment eliminating popular presidential elections and giving parliament the authority to elect the president. The amendment also removed the president's authority to initiate legislation in parliament and gave the Prime Minister increased power to issue decrees carrying the force of law. In September 2000, parliament passed a law implementing the constitutional amendment. Under the new presidential election procedures, a minimum of 15 deputies' signatures are required to nominate a candidate for president. To win election, a candidate must obtain three fifths of the votes in parliament, or 61 out of a total of 101. If no candidate obtains the required three fifths of all votes, a runoff may be held between the two candidates who received the highest numbers of votes. If neither candidate obtains three fifths of the votes in the runoff, parliament has fifteen days to conduct a second round of elections. New candidates may be nominated for the second round of elections. If no candidate is elected in the second round, the current president may dissolve parliament and set a date for early parliamentary elections.

In December 2000, parliament held the first round of elections. The Communist faction in parliament nominated its leader, Vladimir Voronin. The center-right parliamentary coalition nominated Pavel Barbulat, President of the constitutional court. Neither candidate won the first round of elections. The second round is scheduled for December 21, 2000.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of economic reform based on market principles, private ownership, and integration into the world economy including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Moldova continues to make progress integrating into the world economy through market-based economic reforms and privatization. A law governing the sale and purchase of land took effect in September 1997. Citizens and foreign investors

can buy and sell land at market prices. A USAID-assisted land privatization program continued unabated in 2000. Several hundred farms have already been privatized and privatization of all former collective farms is on track for completion by 2001. Approximately 80 percent of all housing units are also now in private hands. A largely completed mass privatization program has privatized 2,132 enterprises from many economic sectors.

In late 1999 the Spanish firm Union Fenosa purchased three of Moldova's five electrical distribution companies. A tender for sale of the remaining two distributors has been issued. Union Fenosa was the only company to respond to the tender, and the Government of Moldova is currently negotiating the terms of the sale. A tender has also been issued for purchase of Moldova's primary telecommunications company MoldTelecom. Although the issue of privatizing the wine and tobacco industries led to the downfall of the government of Prime Minister Ion Sturza in November 1999, the Moldovan parliament approved privatization legislation for the industries in October 2000. Privatization of these industries is controversial because they constitute a large percentage of the primarily agricultural economy of Moldova. Approval of privatization legislation has paved the way for a resumption of the IMF and World Bank lending programs that were suspended after the government crisis in November 1999. The IMF approved a Poverty Reduction and Growth Facility at its Board of Directors meeting on December 15, 2000.

Moldova has adopted the basic financial reforms necessary for a market economy: prices have been largely freed, foreign trade has been almost fully liberalized, and the Moldovan leu is fully convertible for current account transactions. In 1996 the Moldovan Central Bank stopped its intervention on behalf of the leu, leading to a 36-percent decline in the value of the currency against the dollar. IMF and World Bank representatives and National Bank of Moldova officials all stressed that the move was necessary, if not overdue. The devalued currency may have a positive impact on the country's terms of trade. The government has also improved tax and customs collections, increasing government revenues. Export quotas have been eliminated, and import tariffs have been substantially reduced. Moldova has also made substantial progress toward WTO accession.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The government generally respects the human rights of its citizens despite continuing problems in some areas. The law prohibits proselytizing, although the government generally recognizes freedom of religion and has never taken legal action against individuals for proselytizing. Journalists frequently practice self-censorship because of an article in the press law that allows public figures to sue for defamation without distinction between their public and private persons. The 1994 constitution provides the legal framework to ensure protection of minority rights, and has received positive assessments from international experts. The Gagauz, a Turkish-speaking minority in southern Moldova, enjoy autonomous status within Moldova.

In September the Moldovan Audio-Visual Council, the government agency charged with enforcing broadcasting laws, suspended the licenses of three radio stations broadcasting almost entirely in Russian. The Council suspended the licenses based on a requirement in the Audio-Visual law that 65 percent of broadcast content be in Romanian, the official state language. Shortly after the suspension, a Moldovan district court ordered the suspension of the licenses of five other radio stations for not meeting the 65-percent rule. The court decision came in a case brought by the "CAIRO" (Club of Alumni of Romanian and Western Universities) group against the stations. The Audio-Visual Council had no mechanism for enforcing the suspensions, however, and all the suspended stations continued broadcasting in Russian. In response to international criticism, including a statement from the OSCE High Commissioner on National Minorities Max van der Stoep, the Moldovan parliament clarified the 65-percent rule in the Audio-Visual Law, applying it only to locally produced content. All of the suspended stations were repeater stations for broadcast material produced in Russia. Parliament's clarification permitted re-instatement of the suspended licenses.

There are reports of human rights abuses by the Transnistrian authorities, among them discrimination against Romanian/Moldovan speakers. Moldova has abolished exit visas for travel abroad but individuals wishing to emigrate must settle financial and judicial obligations before permission to emigrate is granted. No cases of denial of permission to emigrate were reported in 2000.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Moldova takes seriously its participation in the OSCE and its commitments under the Helsinki Final Act. A Russian-brokered cease-fire in Transnistria has held firm since July 1992. The cease-fire established a tripartite peacekeeping force (comprised of Moldovan, Russian, and Transnistrian units) that has prevented a return to the use of force in the

region. Negotiations aimed at resolving underlying issues in this conflict continue, as does the work of an OSCE mission there.

At the November 1999 OSCE Summit in Istanbul, Moldova reached a bilateral agreement with Russia, included in the Adapted CFE Treaty Final Act and the Summit Final Act, on withdrawal of Russian forces and equipment from the Transnistria region of Moldova. The commitments include withdrawal of Russian Treaty-limited equipment (TLE) by December 2001 and final withdrawal of all Russian forces by December 2002. Some movement on withdrawal occurred just prior to the Summit, when three trainloads of equipment from the Russian base at Tiraspol were shipped back to Russia. The Russians also carried out a small destruction event involving armored vehicles and artillery in November. They displayed remnants of some 50 additional Russian armored vehicles and artillery pieces at Tiraspol that they said were destroyed in 1999. However, this destruction event was not carried out according to CFE Treaty modalities that would have confirmed such destruction. There was no further movement in withdrawal until late 2000 when another trainload of equipment departed Moldova in early December. Meanwhile, the number of Russian CFE Treaty limited equipment in Moldova did not change between January 1, 2000 and January 1, 2001.

After the Istanbul Summit, the OSCE established a Voluntary Fund for contributions from OSCE member states to financially assist the Russian withdrawal from Moldova. In late October/Early November 2000 the OSCE and Russia made some progress on negotiating an agreement on transparency and modalities for use of the OSCE Voluntary Fund to reimburse expenses for the withdrawal. In December 2000, just after the OSCE Ministerial in Vienna, the Russians withdrew one trainload of dual use military equipment (not including any TLE items). The OSCE Mission in Moldova was allowed full access to the equipment during loading, in keeping with the anticipated terms of the agreement on use of the Voluntary Fund.

An important step in the withdrawal process, also endorsed at Istanbul, is the proposed visit of a French-led OSCE experts team to Transnistria—in particular, the Colbasna ammunition base. The team's objective will be to assess the steps necessary to facilitate destruction or removal of heavy weapons and destruction or prospects for withdrawal of the ammunition. The visit has been planned for some time, but in the past has been obstructed by the Transnistrian authorities. The U.S. is working, through the OSCE, to keep all parties engaged in moving toward implementation of the Istanbul commitments.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Since the inception of the military conflict in the Transnistria region, the Moldovan Government has sought to cooperate with its neighbors—Romania, Ukraine, and Russia—in seeking a peaceful resolution of this conflict. The Moldovan Government succeeded in negotiating with Russian and Transnistrian officials an effective ceasefire in 1992. Moldova has cooperated with both OSCE and UN fact-finding/observer missions sent to the area and has consistently called for international mediation assistance. An OSCE Mission has been working in Moldova since 1993. The OSCE invited all the parties to the conflict to begin negotiations on a final political settlement of the Transnistria conflict in October 2000 in Baden, Austria. The negotiations were postponed indefinitely, however, when the Transnistrians refused to participate, citing the imminent presidential election in Moldova. The U.S. Government, through the OSCE, continues to encourage a negotiated settlement and rescheduling of the postponed talks soon after the Moldovan presidential election.

Section 498A(a)(6): implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Moldova has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Moldova ratified the CFE Treaty on July 6, 1992 and the 1996 Flank Agreement on May 15, 1997 and its compliance with those obligations has been good. Moldova participates in the CFE Joint Consultative Group and was an active participant in negotiations on Treaty adaptation. At the OSCE Summit in Istanbul, Moldova reached a bilateral agreement with the Russian Federation on troop and equipment withdrawal, clearing the way for Moldova to sign the CFE adaptation agreement at the Summit. Moldova fulfilled CFE requirements for submission of equipment holdings in December 1999. In general, Moldova has fulfilled its CFE data obligations in a timely way. Moldova has also sought to overcome continuing implementation problems resulting from the unwillingness of Transnistrian separatists to allow unimpeded CFE inspections of Russian forces located in the region.

Moldova's armed forces are reorganizing and developing, with U.S. assistance, a peacekeeping battalion capable of interoperation with international peacekeeping forces. This battalion will form the core of Moldova's armed forces, with a manpower objective of approximately one percent of total population.

Moldova acceded to the Nuclear Non-Proliferation Treaty (NPT), as a non-nuclear-weapons state, in October 1994 in Washington. We have received occasional reports of transfers potentially related to proliferation involving Moldova, which we carefully review in light of our legal obligations under the various proliferation sanctions laws. None of these reports has resulted in a sanctions determination during the reporting period. However, we have raised with Moldova our concerns about reports of sensitive missile-related technology transfers by Moldovan industry and have sought the cooperation of the Moldovan Government in halting such activity. Moldova has made great efforts to strengthen control over its borders, including participation by Moldovan customs and border guards in U.S. Government-funded counter-proliferation programs designed to halt the flow of illicit WMD materials and conventional arms. In August, 2000 Moldova passed its first comprehensive export control law, which was drafted with U.S. assistance. The U.S. intends to continue its efforts to cooperate with Moldova in developing its export control system, both in terms of regulatory structure and enforcement capabilities.

Moldova is a party to the 1993 Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and on their destruction (the CWC) and in September 1996 became a member of the International Atomic Energy Agency. The U.S. considers Moldova to be a party to the INF Treaty as a successor state to the Soviet Union.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

While information on specific "constructive actions" undertaken by the Moldovan Government to reduce cross-border pollution is limited, Moldova is taking steps to reduce overall levels of pollution. With U.S. help, Moldova increased awareness of environmental issues by establishing environmental risk analysis courses at six major universities, and by increasing awareness of the benefits of low-till farming methods via demonstration projects. Steps were taken in 2000 to pre-qualify private firms for a second phase of competitive tenders for privatization of the energy sector. Privatization of this sector may be completed in 2001 and should result in reduced pollution through increased efficiency.

The U.S. cooperated with the EU in the creation of a Regional Environmental Center (REC) in Moldova, the mission of which is to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making. The REC has successfully executed two rounds of small project grants to environmental NGOs.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Moldova does not grant sanctuary from prosecution to individuals or groups having committed acts of international terrorism or otherwise support international terrorism. Moldova is a party to seven of the twelve international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven NIS countries signed an agreement which assigned to each country a share of all the external assets and foreign debt of the former Soviet Union (FSU). Moldova signed the October, but not the December 1991, agreement. The December 1991 agreement provided that Moldova's share of the FSU debt would be 1.29 percent. Beginning in 1992, Russia sought to replace the principle of joint and several liability with full liability for the debt in return for all the external assets. On October 19, 1993, Moldova signed a "zero option" agreement with Russia under which Russia will pay Moldova's share of the FSU debt in return for Moldova's share of FSU assets as defined by the December 1991 agreement.

(Please see section 498A(a)(9) of the Russia assessment below regarding indebtedness to the United States incurred by the former Soviet Union.)

Section 498A (a) (10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, established in March 1992. Moldovan officials warmly welcomed the U.S. side of the Commission in August 1995. With the full support of the Moldovan Government, the U.S. Chairman also made an appeal to the people of Moldova, asking them to come forward with information. Moldova has also fully supported subsequent Commission inquiries in Moldova.

Section 498A (a) (11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence to conclude that the Government of Moldova is providing military and intelligence, economic, nuclear, or other assistance encompassed by that statute to the Government of Cuba.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(B) OF THE FOREIGN ASSISTANCE ACT OF 1961

MOLDOVA

Section 498A(b)(1): Has the President determined that the Government of Moldova has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. We do not believe that the Government of Moldova is engaged in such a pattern.

Section 498A(b)(2): Has the President determined that the Government of Moldova "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Moldova has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Moldova "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Moldova in 2000. The U.S. has been working closely with Moldova to halt certain illicit missile related activity of potential proliferation concern involving Moldovan entity cooperation with missile programs of concern.

Section 498A(b)(4): Is the Government of Moldova "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No. We do not have information from which to conclude that the Government of Moldova is prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Moldova "is providing assistance for, or engaging in nonmarket based trade (as defined in section

498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Moldova under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We do not have information from which to conclude that the Government of Moldova is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

RUSSIA

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Russia's progress towards building a society governed by law-based, democratic institutions has been uneven and beset by serious challenges, at times due to significant limitations on the state's financial resources. However, key democratic elements are in place. In December 1993, the Russian people approved a constitution that provides for a democratic government comprised of three branches and includes checks and balances, as well as a strong executive. The executive branch is led by a popularly elected president who appoints the prime minister with the consent of the parliament. Presidential elections were conducted in 2000 with broad participation in a contest that was judged free and fair by international observers.

The legislative branch consists of a bicameral parliament, the State Duma and the Federation Council. Duma deputies are elected by party lists and single-mandate districts; membership in the Federation Council is under transition. The current Council consists of regional governors and the chairmen of regional legislatures. A new law approved by the Duma and Federation Council and signed by the President, calls for Council members to be appointed, one each, by regional governors and the regional legislature, with the approval of the regional legislature. Duma elections, which were also judged free and fair, took place in 1993, 1995 and December 1999. The International Election Observation Mission—a joint effort of the OSCE, Council of Europe and European Parliament—noted some deficiencies in the December 19, 1999 Duma elections, but gave the elections a generally positive assessment and said it marked significant progress for the consolidation of democracy in the Russian Federation. Members of the Federation Council are elected according to timetables established by the regions they represent.

The constitution provides for an independent judiciary, including a supreme court that hears appeals from the courts of general jurisdiction and a constitutional court. In practice, the judiciary remains subject to political influence, particularly in high-profile cases. The government's inability to provide sufficient resources to the courts has also compromised the judiciary's freedom of action, and the judiciary—including the constitutional court—has not yet established effective mechanisms to enforce its rulings. President Putin proposed in November 2000 to increase federal funding for the court system by one third. The penal system is also woefully short of resources, and conditions for those in custody remain abysmal. Russia has yet to enact anti-corruption legislation or to develop a multidisciplinary approach to address corruption. The government has, however, begun to engage on the issue in multilateral fora, such as the UN, the G-8, the Council of Europe, and the February 1999 Global Forum on Fighting Corruption sponsored by the United States.

Russia's constitution guarantees respect for internationally recognized human rights. Although the Russian Parliament has been slow to pass implementing legislation in many areas, the guarantees of freedoms of speech, press, religion, assembly and movement have dramatically recast the individual's relationship with the state in Russia compared with the Soviet period. However, the government's human rights record continues to be uneven.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Russian economy has undergone tremendous stress as it has moved from a centrally planned economy toward a free-market system. Since 1991, Russia has succeeded in privatizing most of the formerly state-owned economy and freed business entities to trade and compete in a market where prices are generally set by supply and demand. The Russian Government officially estimates that 75 percent of manufacturing enterprises are fully or partially privatized. Eighty-five percent of current manufacturing output reportedly stems from such enterprises, and more than 80 percent of

Russia's industrial workers work in these firms. The vast majority of Russia's financial sector is in private hands, with only one state-owned bank (Sberbank, which controls most retail banking) remaining from the Soviet era.

In 2000, the Russian economy experienced its first serious growth in nine years of transition. Growth may reach seven percent for the year. On the back of a high oil price and a favorable exchange rate, Russia has managed the macro portfolio well, addressing debt control, monetary policy, and fiscal restraint. Russia has started much-needed structural reforms, including a revamped tax code and a unified tariff law.

Privatization and general economic reform have continued, slowed only by a better macro-economic situation easing the need for drastic and far-reaching reform. Even with the economic boost of high returns for oil exports, slow development and uneven enforcement of securities regulation, lack of a developed real property system, lack of financing due to political and economic uncertainty, over-reliance on barter transactions and failure to enforce bankruptcy against insolvent enterprises have all combined to perpetuate inefficiency and waste among state-owned and privatized enterprises alike.

Since 1995, Russia's trade regime has moved generally toward greater liberalization, eliminating an oil export quota and special exporter regime and export tariffs. In the first half of 2000, Russian exports increased by 51 percent (and imports by only four percent), due to historically high prices for crude oil and oil products. Russia's economy—and its federal budget—are particularly vulnerable to the world energy markets. The current recovery, while broader-based than just the energy sector, is built on the back of the 1998 devaluation.

Russia's economic team appears committed to a reformist agenda, but thus far they have taken the politically and economically easiest steps—tax and customs reform. What remains—pensions, land reform, breaking up the monopolies, production sharing agreements, and more—will be difficult. Russia has recognized the connection between WTO accession and structural economic reform. They have reinvigorated their accession effort.

Although the government has officially welcomed foreign investment, the Duma is considering laws that would limit foreign investment in some service sectors, including insurance, auditing, tourism and some sectors connected to national security. Russia joined the Asia-Pacific Economic Cooperation group in 1998. While the government is committed to further integration into the world economy, making the necessary reforms has proved politically difficult.

Russia's intellectual property rights (IPR) legislation provides protection for patents, copyrights, trade and service marks, and semiconductor chip designs. Recently promised legislation, to be introduced before the end of 2000, reflects concerns for retroactive protection of copyrights and civil code standards to facilitate filing claims against pirates. Pervasive problems remain in enforcement, although some signs of greater initiative on the part of law enforcement bodies appeared in 2000. Russia remains on the U.S. Special 301 priority watch list. In 1998, Russia established a Patent Chamber, a specialized court for appellate review of patent disputes. The United States and Russia have formed a bilateral working group to address IP issues.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Russian Federation's record in protecting internationally recognized human rights has been uneven and has worsened in some areas. In February, 1995, Russia was admitted to the Council of Europe and, as a result, will be subject to the jurisdiction of the European Court on Human Rights.

Freedom of expression and of the media is now well established in Russia, with the print and broadcast media reflecting a wider diversity of political views than under the Soviet period. Nevertheless, there are cases of government pressure on the media. The arrests of Radio Liberty correspondent Andrei Babitskiy and Vladimir Gusinskiy, chairman of Russia's largest independent media company, as well as a raid on the human rights group Glasnost Foundation suggest a pattern of manipulation of the legal system to harass and intimidate government critics. Some journalists have been killed and kidnapped and the government has been lax in investigating these crimes.

Despite constitutional protections for citizens' freedom of movement, the Government places some limits on this right, and some regional and local authorities (most notably the city of Moscow) restrict movement through residence registration mechanisms. These restrictions, though repeatedly challenged in city court, most recently in September successfully by a human rights organization, remain largely in force and are tolerated by the Federal Government. The presence of these restrictions, which increased following terrorist bombings in September 1999 and were reinvigorated following an explosion in Moscow in August 2000, demonstrated the continued obstacles to the enforcement of judicial rulings. In August human rights groups in Moscow complained of increased detentions of people from the Caucasus.

Religious freedom has greatly expanded in Russia since the end of the Soviet Union, with a variety of faiths experiencing new opportunities and gaining new adherents. However, over the past few years about one-quarter of Russia's regions have adopted restrictions designed to limit the activities of religious minorities and foreign missionaries. In September 1997, President Yeltsin signed a law "On Freedom of Conscience and Religious Associations," that restricts religious freedom and introduces significantly more government regulation over religious organizations. Russian officials have pledged that implementation of the law will be consistent with Russia's international commitments to religious freedom and have taken significant steps to ameliorate some of the law's negative aspects. However, despite the federal government's efforts to implement the law liberally, restrictions have continued at the local level. The vagueness of the law and regulations, contradictions between federal and local law, and varying interpretations of the law have furnished regional officials with a pretext to restrict the activities of religious minorities. The law initially required that all groups that were previously registered must be re-registered by December 31, 1999. In March 2000, then Prime Minister Putin approved legislation to extend the deadline to December 31, 2000. The registration process has proceeded slowly, with only 60 percent of those groups needing registration at the local level having been approved by November 30, 2000. Many of those groups denied registration have been evangelical, proselytizing groups. In some cases, they have successfully sued, and the courts have ordered local officials to register them. At the national level, nearly all of those groups seeking to be re-registered have been, with the exception of the Salvation Army, Scientologists and Ukrainian Orthodox Church. The U.S. Government and NGO community are monitoring this closely.

The Jewish community has had a mixed experience, facing the same obstacles as other religious communities, as well as its own problems. It has met with some success on communal property restitution, and former President Yeltsin and President Putin both expressed support for government efforts to combat anti-Semitism. However, there have been some highly publicized anti-Semitic statements by regional officials and a purported member of the Presidential Administration. Many Jews continue to encounter societal discrimination, and government authorities have been criticized for insufficient action to counter it. Incidents of violence against Jews and Jewish property, including bombings, stabbings, and beatings, continue to occur.

Lack of respect for due process remains a serious shortcoming. Russian prisoner's rights groups have documented cases in which members of the security forces tortured and beat detainees and prisoners, and in 1998 the President's Permanent Human Rights Chamber found that torture was "widespread and systematic," especially in the pre-trial phase. Suspects are routinely detained for 12 to 18 months in pre-trial detention centers; conditions there and in regular prisons are deplorable. Criminal procedures in regions where juries have not been introduced are still weighted heavily in favor of the prosecution. The Government made little progress during the year in the implementation of constitutional provisions for due process, fair and timely trial, and humane punishment. In addition, the judiciary often was subject to manipulation by central and local political authorities and was plagued by large case backlogs and trial delays. There were some indications that the law was becoming an increasingly important tool for those seeking to protect human rights, but serious problems remain. The procurator appealed the December 1999 ruling by a St. Petersburg judge that found Aleksandr Nikitin, a retired Soviet Navy captain and environmental reporter, not guilty on charges of treason and espionage. The Presidium of the Supreme Court rejected this appeal September 13, ending Nikitin's legal battle with the FSB and the procurator.

The Russian Government has made steady progress in developing policies and practices that provide its citizens with rights to foreign travel and emigration that conform with internationally recognized human rights norms. The right to travel, which is enshrined in Russia's 1993 constitution, was codified in 1996 with the passage of the law on "Procedures for Departing and Entering the Russian Federation," which was signed into law by President Yeltsin on August 15, 1996. This law reaffirms Russia's commitment to allow its citizens the right to travel abroad, to emigrate, and to return to Russia but has not yet been implemented. However, the law also describes circumstances under which the Russian Government can deny the right to travel to Russian nationals who, during the course of their work, had access to "secret," "top secret," and "highly sensitive" material. Such individuals can be refused permission to travel abroad for a specified period of time following the last date of access to such material.

According to the U.S. Embassy in Moscow, the time for processing applications for Russian nationals with passports who wish to travel to a foreign country or who wish permanent residence abroad is two to six months. The time for processing applications for Russian nationals who wish to emigrate and who do not already have a passport averages from four to five months.

Tens of thousands of Russian citizens emigrate annually. In FY 1998, the latest statistics available, approximately 11,500 Russian citizens emigrated to the United States. The number of state secrecy and other cases on the listings of "refuseniks" maintained by American Jewish organizations has decreased from over 1000 in the late 1980's to around 20 in 1998.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Russia has repeatedly professed its commitment to uphold all OSCE principles, including those governing territorial integrity, national sovereignty, non-use of force and the peaceful settlement of disputes.

Responding to attacks on Dagestan in July and August 1999 by maverick Chechen field commander Shamil Basayev, and to the bombing of apartment buildings in Moscow and elsewhere, the Russian Government launched a military campaign to assert control over Chechnya. The conduct of Russian armed forces in the campaign against Chechen rebels continues to be problematic. The indiscriminate use of force by both government and rebel troops resulted in widespread civilian casualties and the displacement of more than 300,000 people, the majority of whom sought refuge in the neighboring republic of Ingushetiya. There were numerous credible reports of human rights abuses and atrocities committed by both federal and Chechen forces, including extrajudicial killings, torture and rape. Such actions are not consistent with Russia's international commitments under international humanitarian law and the OSCE's Code of Conduct on political-military aspects of security, which provides that states should "take due care to avoid injury to civilians or their property." Command and control amongst military and special police units often appeared to be weak, and a culture of lawlessness and corruption has flourished. This culture fostered individual acts of violence and looting against civilians and a lack of accountability. While government prosecutors have ostensibly pursued investigations of some of these incidents, few cases have been brought to court and no convictions have been obtained to date. There have been no reliable mechanisms to investigate and prosecute abuses purportedly committed by Chechen separatists.

Russia has not followed through on its agreement to the 1995 mandate of the OSCE's Assistance Group to Chechnya, reaffirmed at the November 1999 OSCE Summit in Istanbul that the OSCE could play a role in helping establish a political dialogue. Russia has declined offers of assistance in mediating a political solution to the conflict, claiming that its fight against terrorist groups justifies its military actions.

Outside Chechnya, the North Caucasus remains a dangerous region, as evidenced by the November 1998 kidnapping of an American citizen in Dagestan. In December 1996, six medical workers from the International Committee of the Red Cross (ICRC) were brutally murdered in territory under the control of the Chechen authorities. This savage act was the worst-ever tragedy in the history of the ICRC. Kidnappings and assassinations, some politically motivated, have also occurred regularly in Chechnya since the early 1990s.

Russian leaders have called for enhanced efforts by the UN and the OSCE in peacekeeping, including in the NIS. Russia has, to varying degrees, been supportive of OSCE missions and UN peace efforts in Azerbaijan (Nagorno-Karabakh), Estonia, Georgia, Latvia, Moldova, Tajikistan, and Ukraine.

In some cases, Russian forces and military equipment left stationed on the territory of neighboring states have complicated ethnic conflicts in these states, particularly in Moldova where Russian troops previously intervened on behalf of separatist forces in Transnistria.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Russia's role in resolving regional conflicts in adjacent countries has been generally positive, though Russia's foreign policy remains committed to strengthening the Commonwealth of Independent States (CIS), preserving Russia's influence in the region of the former Soviet Union and defending the interests of ethnic Russians in neighboring states.

Russia continued to cooperate with a Georgia-based OSCE mission charged with bringing Ossetians and Georgians to the negotiating table. In 1992, Russia helped broker the cease-fire agreement in South Ossetia. This truce accord still holds.

Abkhaz representatives have stood by demands for separate, equal status with the Georgian state. Moscow says that it supports Georgian sovereignty and territorial integrity, and has taken some steps to press the Abkhaz to negotiate seriously toward a settlement.

With regard to Russian forces in Abkhazia, at the OSCE Summit (November 18-19, 1999), Georgia secured a Russian commitment to remove all armored vehicles and artillery limited by the CFE Treaty from the Gudauta base in Abkhazia (as well as from Vaziani/Tbilisi) by December 31, 2000, and to disband the Gudauta and Vaziani bases entirely by July 1, 2001. Although Russia made some progress in 2000 on withdrawals from Vaziani, Moscow and Tbilisi have not yet

agreed on modalities for withdrawal from Gudauta nor have they agreed on the timing and process for the closure of both bases. Russia and Georgia continue to negotiate these and other aspects of the Russian military presence in Georgia.

Russia, the United States, and France co-chair the Minsk Group peace process, which is the OSCE's negotiating forum for a peaceful settlement of the Nagorno-Karabakh conflict. Cooperation among the co-chairs has been excellent. The Minsk Group has been actively negotiating with the parties to reach a durable settlement. A Russian-brokered cease-fire has been in effect in Nagorno-Karabakh since May 1994 and has held, despite sporadic violations.

President Yeltsin visited Kiev in May 1997 and signed a Friendship and Cooperation Treaty with Ukraine that has been ratified by both countries. The two sides also concluded agreements to resolve the issue of the Ukraine-based Black Sea fleet, which had been a source of disagreement since 1992. The two countries have still not formally demarcated their interstate border, although border issues have not been a source of contention in recent years.

Russia played a significant role in facilitating the peace process in Tajikistan that led to the conclusion of a comprehensive settlement in June 1997. Russia's 201st Motorized Rifle Division is part of the Commonwealth of Independent States (CIS) Collective Peacekeeping Force established in 1993, although its presence in Tajikistan dates from Soviet times. Its activities support both the current regime and Russia's interests in the region. Cooperation exists between Russian and Tajik Government forces. Russian Border forces also dominate the multi-national CIS forces guarding the Tajik-Afghan border and which include personnel from Tajikistan, Kyrgyzstan, Uzbekistan, and Kazakhstan.

Russian forces have been stationed in Moldova since before its independence. As of January 1, 2000, Russia's declared peacetime authorized personnel strength in Moldova was 2,346. Moldova reached a bilateral agreement with Russia at the OSCE Summit in Istanbul (November 18-19, 1999) regarding the withdrawal of Russian forces from Moldova. In the CFE Final Act, the Russians committed to withdraw or destroy Russian conventional armaments and equipment limited by the CFE Treaty in Moldova by the end of 2001. In the OSCE Summit Declaration agreed to by all 54 participating States, Russia committed to complete withdrawal of its forces (not just equipment limited by the CFE Treaty) from Moldovan territory by the end of 2002.

Although the U.S. and other OSCE countries have contributed financially to an OSCE Voluntary Fund to defray some of the technical costs of the Russian withdrawal, implementation of the Istanbul commitments has been largely stalled. Russia blames the Transnistrian separatists who are reluctant to see Russian forces withdraw from the region, although it is unclear whether Russia has done all that it can to obtain Transnistrian cooperation. The disposition of large stocks of weaponry and ammunition held by Russian forces in Moldova remains a major complication in the Russian withdrawal.

Russia has been generally constructive in mediating international conflicts through its participation as a cosponsor of the Middle East peace process, as a part of the international security presence in Kosovo (KFOR), as a member of the Bosnia Contact Group, and through its support of UN and other multinational initiatives in the Persian Gulf, Haiti, and Angola.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Arms Control: The Government of Russia continues to make progress resolving arms control issues inherited as a result of the disintegration of the Soviet Union, including the fulfillment of obligations undertaken in connection with the ABM, INF, START I, CWC and CFE Treaties.

On November 4, 1992, the Russian parliament ratified the START I Treaty, which entered into force December 5, 1994. The detailed work of implementing the treaty is well underway, including inspections and elimination of strategic offensive arms. Russia has eliminated substantial numbers of strategic offensive arms in its efforts to achieve required START I levels. The START I Treaty's Joint Compliance and Inspection Commission (JCIC), in which both Russia and the United States participate, is the mechanism for resolving questions concerning implementation of the treaty. The JCIC meets regularly in Geneva and a number of implementation questions have been resolved through this mechanism. Some issues remain unresolved and will continue to be discussed in the JCIC.

The United States and Russia signed the START II Treaty on January 3, 1993. The Duma approved the START II Treaty in May 2000. Russia continues to observe its obligations under the INF Treaty, including participating in the Special Verification Commission and inspection activities.

Russia has reaffirmed its commitment to the ABM Treaty at the foreign minister and presidential levels. Russia has been a leading participant in the Standing Consultative Commission. Negotiations on treaty succession and the demarcation between treaty-limited ABM systems and theater ballistic missile defense systems not limited by the treaty were concluded following the Helsinki Summit and the documents were signed in September 1997.

Russia has signed the CTBT, and cooperates with other signatories in the CTBT Preparatory Commission, meeting in Vienna, to prepare the International Monitoring System for treaty entry into force.

Russia ratified the CFE Treaty in 1992, and during the treaty's original reduction period (1992-1995) completed the destruction of several thousand pieces of conventional military equipment, more than any other State Party. Russia has also accepted hundreds of on site inspections of its forces under CFE, as required. Senior Russian policy makers have continued to emphasize Russia's commitment to the treaty. Nonetheless, during the period since entry into force of CFE, there has been a range of concerns about Russian CFE compliance, perhaps most notably with regard to compliance with CFE's limits in the flank region. The 30 States Parties agreed to address Russia's desire for greater flexibility in that area in the 1996 CFE flank agreement, which Russia ratified in 1997, the year it entered into force. The flank has been a region of continuing concern, however, and Russia again sought further flexibility on flank limits, particularly in the category of armored combat vehicles, in the CFE adaptation negotiations. Russia was an active participant in the CFE adaptation talks during 1997-1999, which culminated in November 1999 with signature by representatives of the 30 CFE states of an agreement on CFE Adaptation at the Istanbul OSCE Summit. To facilitate closure, Russia and many other CFE states made specific commitments in the accompanying CFE Final Act. Among the most important of these are agreements on withdrawal of Russian forces from Moldova and Georgia, and the reaffirmation of then Prime Minister Putin's November 1 commitment that Russian forces in the CFE flank region will return to the flank levels contained in the adapted Treaty as soon as possible. Among current compliance concerns, perhaps the most significant is the fact that Russian forces in the flank currently exceed both existing CFE flank ceilings and the flank ceilings contained in the adapted Treaty, the latter largely as a result of the conflict in Chechnya. Also of particular regional concern are issues relating to transfer or reassignment of CFE equipment entering Armenia. Finally, although Russia has made considerable progress this year toward completing the separate, non-CFE political commitment to destroy or convert several thousand pieces of CFE-type equipment east of the Ural Mountains (outside the CFE area), that process will not be completed on schedule by the end of 1999. We expect that Russia, the United States and other CFE states will continue to review actively all these issues, and other more technical points, both bilaterally and in the context of the CFE Joint Consultative Group, the forum established by the treaty to consider implementation concerns. In addition, Russia shares with Ukraine a joint reduction obligation related to naval infantry and coastal defense forces (NI/CD). This obligation, which derives from a CFE Treaty-related document, has not been fully met, although Russia has made significant progress on its share of these reductions this year.

Russia has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1991-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

On November 5, 1997, Russia ratified the 1993 Chemical Weapons Convention (CWC), which states that each State Party to the convention undertakes never under any circumstances to develop, produce, otherwise acquire, stockpile or retain chemical weapons, or transfer, directly or indirectly, chemical weapons to anyone. In April 1997, the Duma passed a law on destruction of chemical weapons. A legislative framework is now in place for the implementation of the CWC. Russia submitted its initial declaration on time. However, the United States has concerns about its accuracy and completeness and is seeking to resolve these concerns. Russia, has made little progress in meeting its CW destruction obligations. They have not destroyed any of their CW agent and have failed to meet the requirement to destroy one percent of its 40,000 metric ton CW stockpile by 29 April 2000. However, in May 2000, Russia received permission to delay the intermediate deadline to destroy one percent of its declared stockpile until April 28, 2002. Russia also has until April 29, 2002, to destroy twenty percent of its stockpile; a deadline they are unlikely to meet. On the positive side, it appears that the Russian Duma has recently approved a six-fold increase in 2001 funding (\$100 million) for CW destruction. If this amount is actually spent, it would provide a significant and much needed boost to Russian CW destruction efforts.

The United States and other States Parties are providing some assistance to help Russia meet its CWC commitments. The United States and Russia signed a Plan of Work on January 7, 1994, which paved the way for Cooperative Threat Reduction (CTR) assistance to help Russia develop a comprehensive CW destruction program and to assist Russia in equipping a central CW destruction analytical laboratory; U.S. assistance funding to date for this effort totals \$192.1

million. Also a part of this effort, the United States and Russia are cooperating to construct a pilot nerve agent destruction facility that utilizes Russian technology to neutralize chemical weapons agents through chemical processes. Although Congress cut off future funds for this effort in 1999 based on the slow speed of Russian spending on infrastructure aspects of the project, it has allowed for the spending of unused past year money. The European Union and Germany have recently increased their assistance to Russia's CW destruction program.

With respect to the 1972 Convention on the Prohibition on the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (the BWC), the United States has determined that the offensive biological weapons (BW) program that Russia inherited from the Soviet Union violated the BWC at least through March 1992. In early 1992, President Yeltsin confirmed that the former Soviet Union had an offensive BW program and issued a decree prohibiting all activities that contravene the BWC.

Since September 1992, U.S. and UK officials have met on several occasions with their Russian counterparts to discuss the BW issue. To date, some, but not all, of the confidence-building activities adopted as part of the September Trilateral Statement have been carried out satisfactorily. There has been a significant increase in openness on an institutional level at key civilian facilities associated with the former Soviet BW program. Also, in the summer of 2000 BW-related discussions resumed between the U.S. Department of Defense and the Russian MoD after being suspended by the Russians due to NATO's bombing of Serbia in 1999. Nevertheless, the United States remains concerned about the activities taking place at former Soviet BW-related facilities, especially those controlled by the Russian Ministry of Defense. The U.S. Government firmly believes, however, that the best course to ensure Russian compliance with the BWC is to continue pursuing transparency and openness of Russian BW-related activities and seeking continued implementation of the Trilateral Statement.

We continue to have significant concerns about Russia's current arms control compliance in some areas, notably biological and chemical weapons, and in regard to Russia's current overages of the higher CFE flank limits on its own territory. However, we believe that, on balance, Russia has remained committed to its arms control obligations, and, indeed, many concrete steps have been taken since the end of the Soviet Union on December 25, 1991 to comply with relevant arms control agreements. However, the status of Russian compliance performance remains under our constant, careful review.

Reducing Forces and Expenditures: Due to extreme budgetary constraints and a changing view of Russian military needs, military spending on equipment and manpower was drastically reduced during the period of 1992-1995. During this period, Russian troop strength was cut by approximately 35 percent while tanks, ACVs and artillery were reduced by 50 percent or greater. The requirements of the CFE Treaty and the CFE 1A Agreement on personnel limits contributed heavily to these significant reductions of Russian forces in the treaty's area of application. Since 1995, Russian personnel strength has continued to drop sharply from a level of 1.7 million authorized military personnel to a present level of roughly one million. However, Russian equipment levels have declined to a lesser degree in this time period as the Russian military restructures its forces in accordance with planned military reforms.

Non-Proliferation: The United States and Russia have continued their active and productive dialogue concerning non-proliferation of nuclear, biological, and chemical weapons, their delivery systems, and related technologies. As a primary goal of our common non-proliferation agenda, our two countries worked successfully with many other nations to achieve the indefinite extension of the NPT in May 1995 and to sign the CTBT in 1996. Moreover, with the broadening of our non-proliferation agenda to include such items as regional issues, we agreed to create a formal Bilateral Working Group on Non-proliferation, which had its first full session in 1996.

Although economic difficulties have limited Russia's ability to provide resources for dismantlement activities, we believe it remains committed to making a substantial investment in dismantling weapons of mass destruction.

The government-to-government Highly Enriched Uranium (HEU) Agreement between the United States and the Russian Federation, signed February 18, 1993, provided for conversion of 500 metric tons of HEU from dismantled Russian nuclear weapons into low enriched uranium fuel over a 20 year period.

The Agreement provides for the United States Enrichment Corporation (USEC), the U.S. executive agent under the agreement, to purchase HEU in the form of LEU suitable for fabrication into fuel for commercial power reactors. Since the first delivery of LEU under the contract arrived on June 23, 1995, approximately 2200 metric tons of LEU (comprising some 72 metric tons of HEU) have been delivered to USEC. USEC became a private corporation in July 1998.

In March 1999 agreement was reached concerning the disposition of the natural uranium component of material delivered under the HEU Purchase Agreement. Under this arrangement, the U.S. Government agreed to purchase

natural uranium associated with material delivered in 1997 and 1998. In a separate contract, a group of Western companies (Cameco, Cogema and NUKEM) agreed to buy the natural uranium component beginning in 1999. Material that is not purchased by the Western Companies is shipped back to the Russian Federation.

Transparency procedures intended to provide confidence that the arms control and nonproliferation goals of the agreement are being met are in place and are being implemented at both U.S. and Russian facilities. In 1999 implementation of enhanced transparency measures continued at Russian HEU-to-LEU blending facilities to increase U.S. confidence that uranium purchased under the HEU Agreement is weapons-origin material.

The United States and Russia are cooperating on a variety of other initiatives and programs related to fissile materials. Among these is the bilateral initiative for disposition of excess weapons-grade plutonium. The United States and Russia have each declared 50 tons of plutonium excess to defense needs and in 1998 agreed to convert this material so that it can never be used for nuclear weapons. Technical cooperation aimed at identifying processes and designing facilities to implement this agreement is underway. A bilateral agreement that provides an overall framework for cooperation on the construction and operation of industrial-scale plutonium disposition facilities was signed and began to be applied in September 2000. The United States is seeking participation and funding from other G-8 countries in this project.

The United States is also actively cooperating with Russia to improve security on fissile material stockpiles, combat illicit nuclear trafficking, and redirect the activities of weapons scientists and institutes, with the aim of reducing proliferation risks. Additionally, in December 1999, the United States, Russia, and the International Atomic Energy Agency began discussions on a proposed program to return fresh and spent nuclear fuel containing uranium enriched in Russia or the former Soviet Union from foreign research reactors to Russia for management and future disposition.

In 1998 a Russian decree was issued providing broad government authority over export controls. Implementing regulations have also been issued which are designed to restrict the export of sensitive technologies. In 1999, the Russian parliament passed a comprehensive law on export controls, and the United States continues to work closely with the Russian Government to ensure that these laws and regulations are implemented and enforced. Russia and the United States are working to install internal compliance programs at individual Russian entities, including production facilities, research institutes, and other governmental and commercial enterprises involved in weapons, nuclear or dual-use item production, to help ensure that these entities fully comply with Russian export control laws and regulations.

Russia joined the Missile Technology Control Regime (MTCR) in August 1995, and has stated its commitment to missile nonproliferation, regional stability, and strict adherence to the tenets of the MTCR. In this context, we have continued our high-level engagement with Russia regarding our concerns about reports of Russian entities transferring missile-related technology to Iran. In 1998 Russia issued a preliminary report of an investigation against these entities and Russia has taken action against several of them. The Russian Government has assured us of its commitment to the highest nonproliferation standards and has told us repeatedly that it does not support Iran's long-range missile development efforts. Russia's efforts in this regard have enabled us, in November 2000, to remove Executive Order penalties imposed on the entities INOR and Polyus in 1998 for their missile-related cooperation with Iran. Despite these positive steps, the United States continues to see reports of Russian missile cooperation with Iran. The problem increasingly is one of individuals cooperating with Iran, in many of the instances, apparently, without the authority of the enterprises themselves or the knowledge of the government.

Russia's nuclear cooperation with Iran remains a serious concern, and intensive discussions with Russia continue in order to find a satisfactory resolution of this issue. We also continue to press the Russian Government to take additional steps against entities involved in missile-related technology transfer to Iran. In June 1998 and January 1999, the United States imposed administrative measures against a total of ten Russian entities involved in cooperation with Iran's missile or nuclear weapons programs. These measures remain in force (specifically, a ban on U.S. exports and U.S. Government assistance to these entities, and on imports and U.S. Government procurement from these entities). As noted above, Executive Order penalties imposed on entities INOR and Polyus in 1998, were lifted in November 2000. We periodically receive reports potentially related to Russian transfers of material, equipment, or technology that could contribute to the ability of countries to manufacture missiles or weapons of mass destruction (WMD). We carefully review these reports in light of our legal obligations under the applicable nonproliferation sanctions laws. None of these reports has resulted in a sanctions determination on the Government of Russia for missile or WMD transfers during the reporting period.

Conventional Arms: The United States and Russia maintain active contacts on a wide range of conventional arms transfer issues. The Government of Russia has generally complied with its obligations to observe UN arms sanctions against Iraq, Libya, and the former Yugoslavia, and has worked with the UN Sanctions Committee as questions have arisen. Russia has moved away from past policies of arms transfers for ideological or strategic purposes. The Russian

Government has assured us that Russia is competing in the international weapons market as a responsible supplier that adheres to international regimes, and is cognizant of the importance of maintaining stability.

During the September 1994 Summit, President Yeltsin publicly pledged that Russia would not enter into new arms contracts with Iran. In June 1995, Vice President Gore and then Prime Minister Chernomyrdin reached agreement on the details of the Russian pledge. This understanding was put in writing in a 1995 Aide Memoire. The understanding made clear that Russia's commitment was comprehensive, covering arms and arms-related technologies. The United States got a commitment from Russia to sharply curtail the types and quantities of conventional arms transfers to Iran, effectively precluding the transfer of advanced conventional weapons to Iran by Russia, and phasing out all arms sales from Russia to Iran. We assured ourselves at the time through an exchange of information that the pre-existing contracts covered by the Aide Memoire did not provide Iran with new military capabilities, alter the regional military balance, or compromise the ability of the United States and our Allies to protect mutual security interests. The commitments undertaken by Russia in the Aide Memoire enhanced the stability of the region and contributed to the security of the United States and our Allies. In November 2000, the Russians, citing press leaks and publication of selected portions of the Aide Memoire as a pretext, informed the U.S. that it no longer considered itself bound by the Aide Memoire. The United States has made clear to Russia at the highest level that new Russian arms sales to Iran could result in sanctions. Bilateral discussions continue at the highest levels.

Russia's commitment to restraining arms sales to Iran allowed us to support Russia's participation in September 1995 negotiations to establish the successor regime to COCOM, the Wassenaar Arrangement. In July 1996, Russia joined the United States and 31 other countries in giving final approval to the establishment of the new regime and assuming the same responsibilities as other members in ensuring transparency, responsibility, and restraint in the transfer of arms and sensitive dual-use goods and technologies.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

During meetings of the U.S.-Russian Joint Commission on Economic and Technological Cooperation, Vice President Gore and then Prime Minister Chernomyrdin affirmed their commitment to intensify cooperation to implement the concepts of sustainable development, responsible stewardship of natural resources and restoration of the environment—a commitment that remained in effect through 1999. However, in 2000, the State Commission for Environmental Protection (SCEP) and the forestry service were abolished; the Ministry of Natural Resources (MNR) absorbed their duties and many, but not all, of their personnel. It remains unclear how exactly this will affect environmental protection in the long run, but several civil society organizations and experts in the field have criticized the shift. It appears that MNR's priorities lie mainly in natural resource-based economic development, not in environmental protection. If conflicts of interest arise within the ministry between environmental protection and economic development, it appears likely that MNR would choose the most profitable option. Apparently, pressure from international financial institutions and donor countries will hold the strongest hand in influencing a shift in these priorities toward a more environment-friendly agenda.

Regional Environmental Centers: The United States, the European Union and five host nations (Russia, Ukraine, Moldova, Georgia, and Kazakhstan) are participating in the establishment of independent, non-profit, and non-political Regional Environmental Centers (RECs.) The mission of each REC will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making. The EU has the lead for the establishment of the Moscow REC, the foundation of which has been delayed by a series of bureaucratic hurdles.

Climate Change and CFCs: Russia is a member of the "Umbrella Group" of key partner nations supporting the U.S. in favoring the use of the Kyoto Protocol's market-based mechanisms, including emissions trading, the Clean Development Mechanism and joint implementation to meet national emissions reduction targets. During the Sixth Conference of Parties (COP) in The Hague, Russia continued to support many U.S. efforts to secure the meaningful participation of key developing countries in the protocol

Under the Kyoto Protocol, which sets emissions allowances for the period 2008-2012, Russia agreed to stabilize its emissions at 1990 levels. As Russia's greenhouse gas levels are expected to be significantly below 1990 levels due to the collapse of its economy, the nation expects to benefit from both capital flows generated from the sale of emissions credits and Western investment in its energy sector. Russia's participation in the international emissions trading system depends upon the establishment of a reliable domestic monitoring and verification regime.

The Environment Committee in its report to the U.S.-Russia Joint Commission called attention to anticipated efforts to eliminate the production of chlorofluorocarbons in Russia by the year 2001. A major step toward Russian compliance with the Montreal Protocol (on substances that deplete the ozone layer) was taken in 1998 with the conclusion of a \$27 million international assistance package that will eliminate Russian capacity to produce ozone-depleting substances by the end of the year 2000. This effort, to which the U.S. contributed \$6 million, involves substantial commitments from the Russian Government and the seven enterprises involved. Post-phaseout oversight will extend for a period of five years. Disbursements to any enterprise are conditioned on satisfactory performance by all seven. We would also note that consumption in Russia of ozone-depleting substances has declined markedly from a peak of around 70,000 tons annually to approximately 9,000 metric tons in 1998, to an estimate of some 6,000 tons in 1999. Remaining demand after 2000 is estimated at 3,000 to 4,000 tons per year and will be met by a combination of recycling, controlled sale of reserve stocks and conversion to technologies that do not use these substances.

Radioactive Waste: At the Commission meeting this year, Vice President Gore welcomed the expansion of multilateral cooperation in addressing the problem of radioactive waste management in northwest Russia, where such materials pose an international threat. Several projects and initiatives contribute to this effort. The first established was the so-called Murmansk Initiative. The only operational low-level liquid radioactive waste (LLRW) processing facility in Russia is located in Murmansk on the Kola Peninsula and is run by RTP-Atomflot. It has historically processed a small amount of LLRW from the Russian North Fleet. In 1994, the plant was operating near capacity, while storage capacity was virtually exhausted. Russia had no other LLRW processing capacity and, until 1993, disposed of LLRW in the Barents and Kara Seas. In 1993, an amendment to the London Dumping Convention of 1972 was introduced, which was aimed at the prevention of marine pollution by the dumping of wastes, including LLRW. All parties to the London Convention, except Russia, subsequently adopted a mandatory moratorium on all types of radioactive dumping. Russia promised to adhere to the protocol to the London Convention at the Moscow Nuclear Summit of 1996. In June 1994, to assist in realizing this, the U.S., Norway, and Russia began exploring the possibility of expanding and upgrading this facility. The agreed project will expand the capacity of this facility from 1,200 cubic meters to 5,000 cubic meters per year and will thus upgrade Russia's capability of processing LLRW from nuclear submarine decommissioning.

A second aspect of Russian cooperation with others on elimination of transborder pollution is Arctic Military Environmental Cooperation (AMEC), a trilateral initiative among Norway, Russia and the U.S. established in 1996. Seven initial projects have been agreed to under AMEC. Five of them deal with radioactive waste and radiation monitoring while two deal with non-radioactive waste (such as petroleum and chemical management resulting from the closure of military bases). The first AMEC radioactive waste project provides for the design and construction of a prototype 40-ton cask in support of the Cooperative Threat Reduction (CTR) program. The cask will provide interim storage and transportation of spent nuclear fuel removed from submarines undergoing dismantlement. The prototype cask was tested and approved in October 1999 and is expected to go into serial production in the near future. The project will also provide a pad in northwest Russia for the temporary storage of the 40-ton casks, scheduled for completion in 2000. The completion of this project will assist Russia in meeting its obligations under START, and will eliminate bottlenecks, facilitating the CTR schedule for submarine dismantlement. Work continues on AMEC projects to develop a mobile liquid waste treatment facility, a solid nuclear waste volume reduction capability, and an improved capability for Russian interim storage of solid wastes. Another AMEC project is providing radiological health training and monitoring technologies for Russian naval officers.

The most recent initiative on radioactive waste is the Murmansk 80-ton Cask project. Russia welcomed this project when launched by U.S. Deputy Secretary of State Strobe Talbott with a pledge of \$500,000 at the January 1998 ministerial meeting of the Barents Euro-Arctic Council. Its aim is to design and construct a prototype 80-ton cask that could be used for the dual purposes of temporary storage and transportation of undamaged spent nuclear fuel (SNF) from nuclear-powered icebreakers and submarines. This material is currently stored on the Lotta (a World War II barge that stores both damaged and undamaged SNF) and the Lepse (a service ship that has been used to replace SNF, but has more recently served as a de facto storage vessel because of bottlenecks in the waste stream). This project also will provide a concrete storage pad to accommodate approximately 30 of the 80-ton casks. The site of this pad is to be in Murmansk at the RTP Atomflot facility. The total cost of this project is estimated to be between \$2.1 and \$2.5 million with funding pledged by the U.S., Sweden, Norway, Finland, and the EU. The UK is contributing separately to work with the Russian regulatory authority (GAN) on cask certification. Completion of the prototype cask is expected during the fall of 2001.

Endangered Species: In October 2000, the U.S. and Russia signed a bilateral agreement to conserve Alaska-Chukotka polar bears. Trade in caviar from Caspian Sea sturgeon has been restricted under the Convention on International Trade in Endangered Species (CITES). In August 1998, former Prime Minister Kiriyenko signed a decree establishing a system of import/export controls on sturgeon and its byproducts, including caviar, to implement the recommendations of the Tenth Conference of the Parties of the CITES, and the Russian Government has taken steps to limit the Russian sturgeon harvest to 700 tons, down from 1200 tons in 1998. Conservation of sturgeon and the related sustainability of the

caviar trade, as well as the survival of the Siberian tiger and other Russian biodiversity, are important areas of U.S.-Russia cooperation.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Russia does not generally grant sanctuary from prosecution to individuals or groups who have committed acts of international terrorism or otherwise support international terrorism. However, Russia has not responded to a Georgian Government request for the extradition of Igor Giorgadze, the former head of the Georgian security ministry, whom Georgia has alleged has been in Russia and was involved in assassination attempts on President Shevardnadze.

The United States began conducting regular counter-terrorism consultations with Russia in June 1994, and in November of 1994, initiated dialogues on cooperation to counter nuclear terrorism, the latest round of which took place in Washington in April 1997. In 1995, Russia joined the existing G-7 counter-terrorism expert consultative structure, and participates in G-8 discussions annually. In September 1998, Russian Foreign Minister Ivanov issued a joint statement with Secretary of State Albright on terrorism. Expert level consultations on terrorism were held in Moscow in February 1999. Numerous exchanges between governments took place in the aftermath of the September 1999 terrorist bombings in Moscow and other Russian cities, in which hundreds were killed and injured. In August and October 2000, the U.S.-Russia Working Group on Afghanistan addressed the threat of terrorism emanating from Afghanistan, and the United States and Russia co-sponsored a United Nations Security Council resolution calling for additional sanctions against the Taliban for harboring terrorists in Afghanistan.

Russia has signed nine of the twelve international counter-terrorism conventions and initiated UN consideration of a proposed convention to combat nuclear terrorism.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the foreign debts of the Soviet Union. In December 1991, Russia and seven other NIS countries signed an agreement which assigned to each country a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. All of the non-Russian NIS have signed protocols with Russia under which Russia agreed to pay the outstanding foreign debt of the former Soviet Union in return for its external assets.

This fall, Russia finalized agreement reached in February 2000 with the "London Club" of commercial creditors for the rescheduling of about \$30 billion in commercial debt. In these negotiations, Russia sought to restructure amounts owed to banks but not insured by official guarantees, arising from their loans to or other claims on the former Soviet Union. Repayment of each category of debt was scheduled to begin after completion of a seven-year grace period. Under a deal reached in February 2000, outstanding Soviet-era principal notes will be exchanged for new 30-year Russian Federation Eurobonds at a discount of 75 percent and outstanding Soviet-era interest notes will be exchanged at a discount of 33 percent. Under the deal, \$10.6 billion of principal (out of \$32 billion outstanding) will be written off.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs who may have been taken to the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POW/MIAs, which was established by Presidents Yeltsin and Bush in March 1992. President Yeltsin and the late General Dmitry Volkogonov, former head of the Russian side of the Commission, pledged their full cooperation. President Yeltsin directed all relevant Russian ministries to cooperate fully with the Commission. Until his death in December 1995, General Volkogonov oversaw a broad-based research effort conducted by Russian archivists in search of information on missing American servicemen. He also arranged for the U.S. side of the Commission to travel across Russia in order to interview Russian citizens and conduct research in regional archives. This level of U.S.-Russian cooperation on POWs/MIAs was unprecedented.

In March 1996 General-Major Vladimir Zolotaryev became the Russian Chairman of the Commission, replacing General Volkogonov. In December 1998 General Roland Lajoie became the U.S. Chairman, replacing Ambassador Malcolm Toon, who had served as U.S. Chairman since the Commission's inception.

In November 2000 General Lajoie led a U.S. delegation to Moscow for the Commission's seventeenth plenary session. The most recent joint session focused on expanded U.S. access to Russian archives as key to identifying and locating historical records and eyewitnesses who may be able to shed light on the fates of U.S. POW/MIAs since World War II. In the months ahead, ongoing field investigations involving U.S. aircraft lost on the Kamchatka Peninsula and elsewhere during World War II and in the ensuing Cold War period, are expected to generate further physical evidence establishing the circumstances of loss and the fates of the crews.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

In 1991, Moscow ended its \$4 billion a year subsidy of the Cuban economy. In 1992, Russia halted construction of the Juragua nuclear power plant near Cienfuegos, Cuba. Russia does maintain a credit line for mothballing parts of the facility completed before suspension. We continue to monitor the status of the Juragua facility.

In 1993, Russia withdrew its last remaining combat troops from Cuba. Russian officials continue to assure us that Russia is not providing assistance to Cuba, and that all trade is conducted on a commercial, non-preferential basis. Russia continues to operate a signal intelligence facility at Lourdes.

The two remaining significant aspects of Russian-Cuban economic interaction are the oil-for-sugar barter arrangement and possible Russian provision of assistance and credits to Cuba in support of the Lourdes signal intelligence facility. The oil-for-sugar barter is an agreement to exchange Cuban sugar for Russian oil, with the quantities pegged to market values for each commodity. Reports of oil shipments totaling three million metric tons authorized by the Russian Government to Cuba as compensation for the use of Lourdes intelligence facility remain under review to determine whether the U.S. Government is required to reduce certain assistance to Russia pursuant to the provisions of Section 498A(d)(1) of the Foreign Assistance Act of 1961, as amended.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961

RUSSIA

Section 498A(b)(1): Has the President determined that the Government of Russia has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. Although there are credible reports of human rights violations and atrocities by Russian military forces in Chechnya, the protection of human rights remains uneven in some areas, and the law on religion is grounds for concern, we do not believe that the Government of Russia is engaged in such a pattern. Nonetheless, we will work to better address existing problems in the area of democracy and human rights not only through diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Russia "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. The Government of Russia has taken many constructive steps in this area (as discussed above).

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Russia "knowingly transferred to another country":

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

Russia became an MTCR Partner in August 1995. Russia is a Party to the NPT, CWC and BWC, and the Russian Government has demonstrated a commitment to the non-proliferation of weapons of mass destruction. There was no termination of assistance to Russia during the reporting year under section 498A(b)(3). Additional information related to implementation of this section, however, has previously been provided to Congress on a classified basis. We periodically receive reports potentially related to Russian transfers of material, equipment, or technology that could contribute to the ability of countries to manufacture missiles or weapons of mass destruction. We have under review reports of transfers that raise questions under the applicable nonproliferation sanctions laws. However, during the reporting period, no sanctions determinations were made against the Government of Russia under section 498A(b)(3).

Section 498A(b)(4): Is the Government of Russia "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. The Government of Russia is not prohibited from receiving assistance under these sections.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Russia "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30 day period?"

No. The Government of Russia is not prohibited from receiving assistance under these sections.

Section 498A(b)(6): Has the Government of Russia "failed to make significant progress on the removal of Russian or Commonwealth of Independent States troops from Estonia, Latvia, and Lithuania" or "failed to undertake good faith efforts, such as negotiations, to end other military practices that violate the sovereignty of the Baltic states"?

No. The process of Russian troop withdrawal from Lithuania was completed in 1993, and from Latvia and Estonia in 1994. Russia ceased operating its radar facility at Skrunda, Latvia in August 1998 as called for in a bilateral agreement; dismantlement of the facility was completed ahead of schedule by September 1999 under OSCE supervision.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A (a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TAJIKISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

The comprehensive peace accords signed on June 27, 1997, ended years of civil conflict and set the stage for Tajikistan's transition from a Soviet-type dictatorship to a more open and competitive system. The ruling regime remains authoritarian but has established some nominally democratic institutions. Key elements of the central government remained dominated during 2000 by President Rahmonov and other Tajiks from his native Kulyab region who were part of the pro-government side during the civil war. Some former opposition politicians continued to hold seats in the government, however, and President Rahmonov's narrow base of support limited his control over the entire territory of the country. The government and former United Tajik Opposition (UTO) continued to cooperate on key issues.

A joint mission of the UN and the OSCE observed elections to the lower house of Tajikistan's new bicameral national parliament on February 27. The joint UN-OSCE observation mission noted that the elections, characterized by the open participation of six parties and a number of independent candidates, were an improvement over the limited choice offered to voters during presidential elections in November 1999. The joint observer mission concluded, however, that the elections failed to meet the minimum standards for equal, free, fair, transparent, and accountable elections. In particular, problems were noted with regard to the independence of election commissions, as well as the protection of the ballot boxes, conduct of the vote count and tabulation of results. State organs, particularly regional and local administration officials, interfered in the preparations for and conduct of the elections in a manner not foreseen by law and in a way that contradicted international standards for democratic elections. The law on parliamentary elections, approved by the former parliament in December 1999, is flawed in areas such as media access, campaign funding, criteria for disqualification of candidates, exclusion of independent domestic observers, and treatment of suspect election results. It is noteworthy, however, that Tajikistan does have a legal opposition. At least one prospective independent candidate for the lower house of Parliament was prevented from registering as a candidate for the elections to the lower house, but several opposition parties were allowed to participate in parliamentary elections. One opposition party won two seats in the lower house. President Rahmonov's People's Democratic Party of Tajikistan controls an overwhelming majority of seats in both houses of Parliament. This fact, combined with a lack of democratic culture, results in a legislative branch that is not genuinely independent of the executive branch.

The cease-fire between the former opposing factions in the civil war continued to hold, but a number of former UTO-affiliated field commanders remained unresponsive to and in practice independent of their former leaders. In the capital of Dushanbe, rival pro-government field commanders continued to compete for control over retail markets and the drug trade. Open skirmishing between their private armies, however, appeared to be less of a problem.

The absence of full-scale military conflict and the reduced level of violence were marked improvements, but the government's human rights record remained poor. Freedom of the press continues to be severely restricted, as the government controls both press and broadcast facilities. However, violence against journalists, which flared during the civil war, has largely abated. Freedom of assembly remains limited. The rule of law is applied unevenly at best, and the government has used the legal system to raise criminal charges against individuals that oppose it.

Section 498A (a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The civil war of 1992-97 severely damaged Tajikistan's already-weak economic infrastructure and caused a sharp decline in industrial and agricultural production. Since 1997, however, Tajikistan has experienced economic growth. This past

year, despite the difficulties associated with high world oil prices and a severe drought, Tajikistan's macroeconomic performance was good.

In 1999, real GDP growth in Tajikistan reached 3.7 percent, with inflation at 30 percent. In the first nine months of 2000, Tajikistan's real GDP growth was almost 10 percent, and inflation decreased to around 24 percent. While these figures are very encouraging, it is not clear what effect this year's drought will have on the final numbers for 2000 and onward into 2001. Current forecasts are for five-percent growth in 2000, despite the drought.

Improved fiscal discipline by the Government of Tajikistan, has supported the return to positive economic growth. The fiscal deficit in 1999 was 3.1 percent of GDP and the projected 2000 fiscal deficit is 1.2 percent of GDP. Again, it is not clear what effect this year's drought has had or will have on meeting this target.

Progress on implementing Tajikistan's structural reform agenda has been significant since 1998, but has slowed more recently. The World Bank's International Development Association (IDA) approved Tajikistan's Structural Adjustment Credit (SAC) in July 1998 to support privatization, reform of the banking sector and increased social spending. At the beginning of 2000, several activities under the SAC were not completed, most importantly the privatization of the state cotton gins. Privatization of the "Cotton Services" company, presentation of evidence that the four largest banks were complying with the newly established prudential standards, and restructuring of the social protection system. By the end of the year, most of the SAC requirements were met, the most significant of which was the privatization of most of the State's 22 cotton gins. The exception was the sale of the "Cotton Services" company for which no buyer could be found.

As of October 2000, the Government of Tajikistan has privatized 5,400 small-scale enterprises, 98 percent of the total, as well as 214 medium to large-scale enterprises, twice the target set by the World Bank, and 27 percent of the total. In addition, 740 medium to large enterprises have been converted to joint stock companies, three times the World Bank target, and 95 percent of the total. With regard to banking reform, financial audits of selected larger banks have been completed and the institutions are now complying with new prudential regulations. However, the poor state of the banking sector in Tajikistan remains a constraint to investment and economic growth.

The Government of Tajikistan has worked closely with its other development partners, including USAID, to modernize its legal and regulatory framework to support its shift to a market economy. The year 2000 saw passage of Parts I and II of the revised Tajikistan Civil Code, and increasing collaboration with USAID by the Parliament and the Office of the President on legislative drafting.

Tajikistan's high external debt service requirements and incomplete structural reforms leave the country very vulnerable to economic shocks. Uzbekistan's ability to effectively blockade its border with Tajikistan can have a severe impact on the Tajik economy, as almost all of Tajikistan's trade must transit Uzbekistan.

Tajikistan remains a member in good standing with the International Monetary Fund, World Bank, Asian Development Bank and European Bank of Reconstruction and Development. An Overseas Private Investment Corporation (OPIC) agreement entered into force in 1992. The 1993 bilateral trade agreement between Tajikistan and the United States provides reciprocal Normal Trade Relations benefits and contains intellectual property rights provisions. Tajikistan has not applied to join the World Trade Organization.

Section 498A (a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

There were serious human rights violations by both the government and some armed former opposition groups. Though armed confrontations between government and former UTO forces have ended, some members of government security forces and of former opposition groups committed a number of extra-judicial killings. It was difficult, however, to estimate the number of such acts or to attribute responsibility in many cases. Some killings were committed by competing government factions for varying motives, both political and economic. There were a number of disappearances. Credible reports indicate that security forces frequently tortured, beat, and abused detainees. There were similar allegations of threats, extortion, looting, and abuse of civilians. The government rarely prosecutes security officials believed responsible for human rights abuses, though in some cases such officials have been reprimanded and/or transferred to other areas.

Basic problems of rule of law persist. The government continued to restrict severely freedom of speech and of the press, and restricted freedom of assembly and association; it placed some restrictions on freedom of religion and on freedom of movement. Discrimination against women, the disabled, and religious and ethnic minorities is a problem, as are child labor and trafficking in women.

The government cooperated with the United Nations High Commissioner for Refugees (UNHCR) in the repatriation of Tajik refugees from Afghanistan, and by 1998 the final tranche of refugees finished returning to their homes. The government continues to work with the UNHCR, the International Organization for Migration, and the International Committee of the Red Cross to facilitate the return of remaining internally displaced persons from eastern Gorno-Badakshan *Oblast* (region), and those who sought refuge in other neighboring states. Some of this latter group may have settled in their new homes as economic migrants with no intention of returning to Tajikistan at this time.

Retribution against returnees by local militias did not take place as originally feared, and the government has made positive efforts to resolve the cases of returnees whose homes had been occupied during their absence. Persons from Kulyab have been favored over those from other regional clan groups and some harassment of those from Garm and Pamir, opposition strongholds during the war, continues. Fear about the future as well as linguistic and employment discrimination against the Russian minority led to large-scale out-migration of this group early during the civil conflict. This trend has slowed significantly in recent years, for a number of reasons: the return of stability; the fact that most of those with family in Russia have already left; and a 1996 agreement with Russia permitting dual citizenship.

After protests from the UNHCR, the government cancelled its short-lived "Operation Foreigner," in which numerous Afghan refugees in the capital city of Dushanbe were detained by security forces and reportedly slated for relocation to refugee camps elsewhere. Afterwards, however, government officials continued to claim that Dushanbe was "off limits" for Afghan refugees. It is a source of concern and an open question whether the government would provide first asylum to a potential mass influx of refugees fleeing Taliban advances in northern Afghanistan.

According to the Constitution, Tajikistan is a secular state. Religious freedoms are guaranteed by law. Islam is the majority religion. Although a Protestant church was bombed in October, reportedly by a small group of Islamic students, minority religions in general enjoy both government and individual tolerance with the exception of native Tajiks who convert from Islam and who experience occasional discrimination and harassment. There does not appear to be official discrimination against religious minorities, but religious communities must register and are monitored to ensure that they do not become overly political. This is especially true for Muslims who have restrictions on Haj attendance: numbers from each region are limited and use of private vehicles is not permitted. Muslims are also restricted in the type of education they receive; they cannot possess or read Arabic-language texts. However, unregistered, recently organized religious communities such as Baha'i and Hare Krishna groups function with no apparent restrictions.

One issue of contention remains the apparent goal of some Islamists to make Tajikistan an Islamic state. President Rahmonov has aggressively defended secularism and occasionally criticized Islam as a political threat. Leading Islamic figures within the former opposition have downplayed the issue, saying that Tajikistan is not ready to become an Islamic State. However, the Government has specifically banned the activity of one religious faction, the Hizb-ut-Tahrir, a non-violent Islamist movement with origins in the Middle East that has developed a significant following among the ethnic Uzbek population of northern Tajikistan. Many of its adherents have been detained recently.

Tajikistan has no law on emigration. Tajik nationals who wish to travel abroad must obtain an exit visa. With occasional prominent exceptions, the Government does not appear to withhold exit visas for political reasons. Those wishing to emigrate must notify the appropriate authorities and obtain required documentation. Most of those who fled Tajikistan for political reasons after the civil war have returned safely, including most of the prominent opposition leaders who for some years had remained fearful about doing so.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Tajikistan has made a public commitment to respect international legal obligations and OSCE commitments. In November 1999, Tajikistan joined other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force. It has cooperated with the OSCE mission in Dushanbe on matters related to electoral law, human rights monitoring, and efforts that obtained a political settlement to the civil conflict. The OSCE mission in Tajikistan was expanded in 1995 to take on human rights monitoring functions previously carried out by the UNHCR, and continued its work in this field throughout 2000. The government still has not yet established a formal human rights ombudsman as recommended by the OSCE, despite its statement in 1996 that it would do so. The government has, however, permitted human rights organizations to establish offices and operate in Tajikistan.

Tajikistan still has outstanding border disputes with Kyrgyzstan and China, but neither has erupted into armed conflict, nor are they likely to. Minor clashes in late 1999 between Uzbekistan and Tajikistan did not escalate into anything more

serious. Uzbek authorities, however, in mid-2000 ordered the mining of parts of the border in response to raids by Islamic Movement of Uzbekistan (IMU) units which Uzbekistan claimed operated out of Tajikistan.

Irredentist rhetoric about the largely ethnic Tajik cities of Samarkand and Bukhara (located in present-day Uzbekistan) has not been taken seriously by the government. Tajikistan continues to try to form an independent national military as it integrates former UTO fighters with government forces, and it has neither the capacity nor any apparent intention to pursue aggressive actions against its neighbors. Tajikistan has been an active participant in regional dialogues and cooperative peacemaking efforts. However, most of its efforts at conflict resolution have been domestic—participating in the inter-Tajik peace negotiations and seeking reconciliation following the civil war.

Section 498A (a)(5): "Cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The Government of Tajikistan welcomed international efforts to seek a peaceful resolution of the 1992-1997 Tajik civil conflict. The three-year UN-mediated negotiating process of peace talks with the Tajik opposition led to the June 27, 1997 signing of comprehensive peace accords and the creation of a Commission on National Reconciliation chaired by then-opposition leader Nuri. Implementation of the accords and the conduct of some of its requirements (1999 constitutional referendum and presidential elections) left much to be desired. However, following parliamentary elections in February 2000 in which six opposition parties participated, the United Nations Mission of Observers in Tajikistan (UNMOT) declared itself satisfied the process was sufficiently complete and declared its mission fulfilled in May.

The Tajik civil war was primarily a regional and clan-based struggle. Although the population is 25-percent ethnic Uzbek and Uzbeks fought on the side of the government during the civil war against the opposition, the ethnic question was not an aspect of the conflict. Rather, the war fostered sub-ethnic regional identities among Tajiks, as discrimination against Tajiks from other regions such as Garm and Pamir region took place.

Section 498A (a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and**
- (D) restraining conventional weapons transfers."**

Tajikistan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Tajikistan is a party to the Treaty on the Non-Proliferation of Nuclear Weapons as a non-nuclear-weapons state and supported indefinite extension of the Treaty at the NPT Review Conference in 1995. Tajikistan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1998-2000 and has willingly undergone CSBM inspections in accordance with the OSCE Vienna Document (1994 and 1999). Tajikistan's fledgling military forces do not represent an offensive threat to neighboring states. There is no evidence suggesting Tajikistan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technology. The United States considers Tajikistan to be a party to the INF Treaty as a successor state to the Soviet Union. Tajikistan was one of the first NIS countries to become a State Party to the 1993 Chemical Weapons Convention in 1995 and ratified the CTBT in 1998. Tajikistan has taken steps to establish a basic framework for export controls including adoption in 1997 of an export control law.

The border with Afghanistan, however, is porous. Russians and Iranians use an airfield in southern Tajikistan as a staging area to conduct cross-border arms transfers, supplying weapons to the anti-Taliban alliance in northern Afghanistan.

Section 498A (a)(7): "take constructive actions to protect the international environment, prevent significant trans-border pollution, and promote sustainable use of natural resources."

Shared upstream hydro facilities in Kyrgyzstan and Tajikistan, vital to the region because they store water for downstream irrigation and provide power, have inadequate funding for operation and maintenance and have suffered deterioration since the breakup of the Soviet Union. Tajikistan's downstream neighbors, also cash-strapped, are unwilling to contribute to better upkeep of the existing facilities. However, Tajikistan is actively engaged in a search for solutions and participates in a number of initiatives focusing on environmental concerns, particularly those related to management of water resources and the shrinking of the Aral Sea. The Government of Tajikistan is a member of the Interstate Fund for the Aral Sea and of the Interstate Council for Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan (ICKKTU), which was created in 1996 to replace the ineffective Soviet-era structures to manage the water resources of the Syr Darya. Tajik water officials are also fully participating with USAID training activities offered in the region and they work closely with the

National Oceanic and Atmospheric Administration (NOAA) snowmelt forecasting project. The challenge ahead is to work with regional officials toward a mutually agreed-upon regional methodology for trans-boundary cooperation on management of the region's water resources. Although Tajik officials have asked for assistance in this regard, the necessary policies, agreements, and institutions are not yet in place to ensure sustained upkeep or investment.

Tajikistan has also joined with other governments in the region in the decision to relocate the headquarters of the nascent Regional Environmental Center (REC) to Almaty, Kazakhstan. The REC, which will function as an information outlet and convening body for NGOs, regional governments and others, has the support of both the United States and the European Union.

Section 498A (a)(8): "deny support for acts of international terrorism."

The Government of Tajikistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Although not condoned by the government, Islamic extremist groups have operated out of Tajikistan from areas that are not under complete government control. Tajikistan has been critical of the Taliban in Afghanistan for harboring Usama bin Ladin, and openly opposes Islamic terrorism. Tajikistan is a party to five of the twelve international counter-terrorism conventions.

Section 498A (a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding declaring themselves jointly and severally liable for the pre-October 1991 external debt of the Soviet Union. In December 1991, Russia and seven other NIS countries signed an agreement which assigned to each country a share of all the external assets and external debt of the former Soviet Union (FSU). Tajikistan signed both the October and December 1991 agreements. The December 1991 agreement provided that Tajikistan's share of the FSU debt would be 0.82 percent. In 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the external debt of the FSU in return for all the external assets of the FSU. In December 1993, Tajikistan signed a "zero-option" agreement with Russia under which Russia agreed to pay Tajikistan's share of the external debt of the FSU, in return for Tajikistan's share of the external assets of the FSU.

Please see section 498A (a) (9) of the above Russia assessment regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A (a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The U.S. side of the Commission visited Tajikistan in September 1996. The visit was positive and indicated American interest. Requests for information were broadcast on local television, but there is no indication that any American POWs are in Tajikistan.

Section 498A (a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence to conclude that the Government of Tajikistan is providing military and intelligence, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TAJIKISTAN

Section 498A (b)(1): Has the President determined that the Government of Tajikistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law?"

No. While there have been serious shortcomings in human rights observances in Tajikistan, the government has undertaken efforts to address some of the problems. In some areas, especially political violence has decreased since the end of the civil conflict. Many of the shortcomings result from the government's lack of control over armed opposition groups. We will work to better address these human rights problems not only through diplomatic efforts but also through our assistance programs.

Section 498A (b)(2): Has the President determined that the Government of Tajikistan "has failed to take constructive action to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. The Government of Tajikistan has not failed to take action to facilitate effective implementation of arms control obligations.

Section 498A (b)(3): Has the President determined that, after October 24, 1992, the Government of Tajikistan "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine (d) that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Tajikistan in 2000.

Section 498A(b)(4): Is the Government of Tajikistan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306 (a) (1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Tajikistan "is providing assistance for, or engaging in non-market-based trade (as defined in Section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Tajikistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period"?

No. We do not have any information from which to conclude that the Government of Tajikistan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

**CRITERIA FOR U.S. ASSISTANCE
UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961**

TURKMENISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Turkmenistan remains a one-party state dominated by its president and his closest advisors. Despite President Niyazov's commitments during and after his April 1998 visit to the United States, the Government of Turkmenistan has failed to take any concrete steps to strengthen the rule of law and political pluralism. The 50-member unicameral parliament (Mejlis) has no genuinely independent authority, and in practice the president controls the judicial system. Seriously flawed parliamentary elections held on December 12, 1999 included only government-selected candidates and did not allow for any free political discourse; turnout was announced at 98.9 percent, despite reports that many polling places remained empty throughout the election day. A 1994 referendum of questionable constitutionality having already extended President Niyazov's term of office to ten years (through 2002), on December 28, 1999, the Mejlis extended his presidency indefinitely in response to a unanimous resolution by the annual People's Council that he be made president for life.

The Government of Turkmenistan severely restricts freedom of speech and does not permit freedom of the press. There is no organized political opposition in Turkmenistan, and individual opposition figures are regularly harassed and/or imprisoned for their activities. The government completely controls the media, censoring all newspapers and domestic electronic media and rarely permitting independent criticism of government policy or officials. The government registered no new political parties in 1999; the only officially registered party is the Democratic Party (formerly the Communist Party of Turkmenistan). Freedom of peaceful assembly and association are restricted in practice. The government does not allow any public meetings or demonstrations involving a political agenda or criticism of government policies. In practice, the government also prevents private political meetings and gatherings from taking place.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

The Government of Turkmenistan has taken a slow approach to economic reform. On December 27, 1995, President Niyazov announced a series of macroeconomic reforms, which included, among others, the three key reforms recommended by the IMF: control of the expansion of credit, limited national budget deficits and liberalized foreign exchange. President Niyazov plans a ten-year state-managed transition and hopes to utilize hard currency earnings from Turkmenistan's natural resources to finance expenditures and soften the impact of the economic transition. The economy, however, remains predominantly under state control. The World Bank has approved no loans to Turkmenistan since 1997. Since Turkmenistan joined in 1992, the World Bank has approved three projects with a cumulative value of \$89.5 million. Turkmenistan has laws on foreign investment, banking, property ownership and intellectual property rights, but respect of contracts remains an issue. The government introduced its currency, the manat, in November 1993, which has helped it establish an independent monetary policy. A bilateral trade agreement providing for reciprocal Normal Trade Relations (formerly MFN) and containing intellectual property rights (IPR) provisions entered into force October 1993. An Overseas Private Investment Corporation (OPIC) agreement entered into force in June 1992. Turkmenistan is a member of the IMF, World Bank, and European Bank for Reconstruction and Development, and joined the Asian Development Bank in September 2000. Turkmenistan has not applied to join the World Trade Organization. Consistent with U.S. legislation, the United States would be opposed to any new proposals for international financial institution assistance to Turkmenistan other than to address basic human needs, because of the absence of a functioning system of civilian audits of military expenditures.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The government's record on respect for internationally recognized human rights is extremely poor. Authorities routinely beat criminal suspects, prisoners, and witnesses before and after trial. The government restricts civil and political rights, and security agents have used force to suppress political opposition. Others who have protested government policies and economic conditions reportedly remain in psychiatric hospitals. The government has attempted to extradite Turkmen dissidents from Uzbekistan and Russia on charges that appear politically motivated. As part of its efforts to foster a sense of nationhood among the Turkmen, the government has reversed decades of favoritism toward Russians. Ethnic Turkmen now receive favored treatment, leading ethnic minorities to complain of discrimination, especially in employment practices. Although documented cases of extra-judicial killings have been rare in Turkmenistan, one prominent prisoner of conscience did die in prison under suspicious circumstances during 1999.

The constitution guarantees freedom of religion and does not establish a state religion. However, while recent amendments to Turkmen law purport to provide greater religious freedom, they tighten government control over religious groups. The government tries to control all Islamic activity. In contrast to the Soviet era, when imams were chosen by their communities, imams now are appointed by the government only. Since 1997, the government has forbidden the teaching of Islamic theology by imams affiliated with mosques. Religious congregations are technically required to register with the government. The requirement that religious organizations have at least 500 members has prevented all but two religions, Russian Orthodox Christianity and Sunni Islam, from registering. During 2000, the Turkmen Government continued its harassment of minority religious faiths. Worshipers have been imprisoned, beaten and/or pressed to renounce their faith. However, minority congregations have been allowed to worship undisturbed in private homes, following an April 2000 presidential decree requiring law enforcement authorities to respect citizens' freedom from illegal search and seizure and right to privacy in their homes. Recently, however, law enforcement officials have harassed, beaten and tortured some Protestants affiliated with home churches.

The government does not generally restrict movement within Turkmenistan, although travel to border zones is tightly controlled. The government uses its power to issue passports and exit visas as a general means of restricting international travel by its critics. While most citizens of Turkmenistan are permitted to emigrate without undue restriction, some government opponents have been denied the opportunity to emigrate. As part of a presidentially approved master redevelopment plan for Ashgabat, the government is forcibly displacing residents from several neighborhoods with less than a week's advanced notification and minimal, if any, compensation for their destroyed property.

The Institute for Democracy and Human Rights (IDHR) was founded in 1996 with a mandate to support democratization and monitor the protection of human rights. While an IDHR investigation of poor prison conditions led to a general amnesty, the Institute is not independent of the government. Initial hopes that the IDHR would serve as an ombudsman for the people have not been realized.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Turkmenistan has a proclaimed policy of neutrality towards other nations and has done nothing inconsistent with its OSCE obligations to refrain from the threat of the use of force and to settle disputes peacefully. Turkmenistan is at peace with its neighbors. The Turkmen military does not currently present an offensive threat to the region. Turkmenistan complies with the Confidence and Security Building Measures (CSBM) in Europe of the 1994 Vienna Document, regularly submitting CSBM declarations and undergoing a CSBM inspection in February 1998.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Turkmenistan supports regional and international efforts to resolve peacefully the conflicts in Tajikistan and Afghanistan. The Turkmen Government hosted peace talks among the various Tajik parties, and it has played an active role in the UN-brokered dialogue on an Afghan settlement.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and (D) restraining conventional weapons transfers."**

The Government of Turkmenistan has formally declared its willingness and intent to accept all of the relevant arms control obligations of the former Soviet Union. Turkmenistan acceded to the Non-Proliferation Treaty in 1994. Turkmen armed forces are guided by a defensive military doctrine. We do not believe that Turkmenistan has engaged in the proliferation of nuclear, biological, or chemical weapons, their delivery systems, or related technologies. Turkmenistan is a party to the 1993 Chemical Weapons Convention and a party to the Biological Weapons Convention. We have recently initiated a limited export control and border security dialogue with Turkmenistan, including responsible missile proliferation policy. Turkmenistan ratified the Comprehensive Nuclear Test Ban Treaty in February 1998. To our knowledge, Turkmenistan has not engaged in any significant level of conventional arms transfers. Additionally, Turkmenistan has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Special Verification Commission, it continues to observe the Treaty's obligations.

Turkmenistan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Although Turkmenistan has one of the best developed systems of nature preserves in Central Asia, its Karakum Canal contributes to the region's most serious environmental problems, notably in the Aral Sea, by exacerbating existing water pollution, pesticide run-off, and water-table problems. President Niyazov currently holds the rotating presidency of the Interstate Fund on the Aral Sea, made up of the five Central Asian states and several international organizations secretariat, and the Fund's executive committee has its seat in Ashgabat at present.

Turkmenistan joined the other Central Asian states in a recent decision to locate the headquarters of a Regional Environmental Center (REC) in Almaty, Kazakhstan. The United States and the European Union are supporting and co-financing the establishment of this independent, non-profit, and non-political organization, the mission of which will be to strengthen civil society and support sustainable development by promoting public awareness and participation in regional environmental decision-making. Turkmenistan also signed and ratified the Kyoto Protocol to the UN Framework Convention on Climate Change, a positive indication of the government's progressive inclinations on climate change.

Turkmenistan is currently engaged in talks with Russia, Azerbaijan, Kazakhstan and Iran on environmental protection of the Caspian Sea. These marine environmental protection talks will include discussion of development of the mineral resources of the Caspian seabed and use of the sturgeon population in a way that protects the Caspian ecosystem.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Turkmenistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Turkmenistan has signed two of the twelve international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In July 1992, the Government of Turkmenistan signed a "zero option" agreement with Russia under which Russia will pay Turkmenistan's share of the external debt of the FSU in return for Turkmenistan's share of the external assets of the FSU.

Please see section 498A(a)(9) of the above Russia assessment regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. In November 1995 the Commission visited Turkmenistan, where it was warmly received by, and received full cooperation from, the Government of Turkmenistan.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

We have no evidence to indicate that the Government of Turkmenistan is providing military, economic, nuclear, or other assistance to Cuba.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961

TURKMENISTAN

Section 498A(b)(1): Has the President determined that the Government of Turkmenistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. Nonetheless, the U.S. Government is deeply concerned about the broad and serious violations of human rights discussed above and continues to make human rights issues a central and consistent element of our dialogue with the Government of Turkmenistan. We will work to better address these problems not only through diplomatic efforts but also with our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Turkmenistan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not believe that the Government of Turkmenistan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Turkmenistan "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We do not believe that the Government of Turkmenistan has made such transfers.

Section 498A(b)(4): Is the Government of Turkmenistan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No. We do not have information indicating that the Government of Turkmenistan is prohibited by these statutes from receiving such assistance.

Section 498A(b)(5): Has the President determined and certified within 30 days to the appropriate congressional committees that the Government of Turkmenistan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Turkmenistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We do not have information from which to conclude that the Government of Turkmenistan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

UKRAINE

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to":

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Ukraine has made progress in building a democratic society since gaining independence in 1991. The 1994 election of former Prime Minister Leonid Kuchma to the Presidency in a run-off vote against incumbent Leonid Kravchuk constituted the first peaceful, democratic, contested transfer of executive power in independent Ukraine and, indeed, in the former Soviet Union. Ukraine's second parliamentary elections were held in March 1998. Domestic and international observers concluded that the elections, in which left-wing opposition parties won a plurality of the seats, generally reflected the will of the voters, despite some reports of irregularities. Kuchma was reelected in November 1999, in Ukraine's third presidential election. Although the election failed to meet a significant number of OSCE commitments, due to government manipulation and harassment of the media, as well as the systematic involvement of government officials in the campaign, Kuchma's decisive victory appeared to have reflected the will of the electorate. Kuchma won with over 56 percent of the vote, compared to 38 percent for his communist rival, an important endorsement by the Ukrainian people of continued political and economic reform and a pro-Western orientation, to which Kuchma had committed himself during the campaign. After the election, Kuchma chose a reformer, Central Bank head Viktor Yushchenko, as Prime Minister. The April 2000 referendum on changes to the constitution that would increase Kuchma's power also gave rise to some charges of irregularities. Some fears were eased when the Constitutional Court threw out two of the referendum points.

The constitution mandates an independent judiciary, headed by a Constitutional Court that determines the constitutionality of laws and acts by all branches of government. In practice, however, the courts remain subject to considerable political interference, and are a weak check on the power of the executive branch. The legislative branch, the Rada, has been a more effective check, though its practical ability to influence Kuchma's authority has been limited. Ukraine's civil society is increasingly a factor in Ukrainian political life and Ukraine has a large and active NGO community; for example, the local NGO Committee of Voters provided thousands of domestic monitors during the 1999 presidential election.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Ukraine has made important progress in creating an economy based on market principles, private ownership and integration into the world economy; much work remains to complete the transition. The Kuchma administration's chief challenge in economic policy is to institutionalize structural reforms to permit sustainable economic growth. Ukraine recorded its first year of positive economic growth in 2000; the year-end estimate for overall GDP growth is over four percent (most recent IMF estimate is 4.7 percent). Inflation is expected to reach 28 percent by the end of 2000. January-August 2000 saw Ukrainian foreign currency reserves maintain a steady level at approximately \$1.1 billion. However, continued slow progress on structural reform and the subsequent loss of access to IFI funding, the lack of foreign investment, and a dependence on Russian energy supplies, with a large energy debt to Russia, kept Ukraine's economy in a precarious position during most of 2000.

The International Monetary Fund (IMF) supported the government with \$760 million under a Structural Transformation Facility agreement and subsequently with a series of Stand-By Arrangements (SBA) in 1995, 1996, and 1997. Ukraine succeeded in arresting hyperinflation, unifying and stabilizing the foreign exchange market, substantially liberalizing prices, ending most government subsidies and eliminating export quotas. However, stalled reforms and the effects of the Asian financial crisis forced a suspension of the 1997 SBA and most World Bank lending in February 1998 and Ukraine moved closer to financial crisis. After difficult negotiations, the government concluded an ambitious, three-year Extended Fund Facility (EFF) with the IMF in September of 1998. Ukraine fell off-track with its \$2.6 billion IMF EFF program again in September 1999 when, in the run-up to the election, it significantly increased government spending and failed to extend

communal service tariff increases beyond the city of Kiev. Ukraine's relations with the IMF in 2000 were severely strained by the investigation into allegations of reserve mismanagement and misreporting which led to disbursements from the IMF that Ukraine would not otherwise have received. The Government of Ukraine admitted to misreporting its reserves, made an early repayment of \$100 million and pledged to keep safeguards in place to prevent further occurrences. Since that time, significant progress has been made in the ongoing negotiations between the government and the Fund. In November 2000, Ukraine and the IMF reached an agreement on a core set of policies for restarting the IMF program that Ukraine successfully implemented in early December. The IMF Board decided to resume the EFF program at a meeting on December 19. Thus, the year 2000 saw significant achievements in Ukraine's market reforms.

The government privatized 70 percent or more of over 1,930 small and medium-sized enterprises in 1999, bringing the total since 1995 to 11,450. Private sector share of GDP has continued at 55 percent over the last three years, however, as privatization and restructuring of large state enterprises have remained stalled. The government has placed a renewed emphasis on privatization this year, evidenced by the Rada's adoption of a plan to sell the state's shares in large firms in major sectors such as telecommunications, metallurgy, energy, and chemicals. Reform in the energy sector yielded some dramatic results in 2000 and facilitated plans for the privatization of energy companies. At the end of the fiscal year, Ukraine was on-track to privatize several regional operating companies (known as oblennergos) through an open, transparent international tender process. Ukraine plans to continue the process by privatizing all 27 oblennergos by the end of 2001. In the agricultural sector, a presidential decree in December 1999 granted private ownership rights to former members of collective farms. Though the decree does not allow subsequent sale of land, long term leasing is increasing and the Rada is currently considering a Land Code that would allow farmers to trade land and use it as collateral.

Serious problems persist in the investment climate, with widespread corruption, arbitrary government actions, lack of respect for contracts, and lack of enforcement of property laws and court decisions. Although the constitution guarantees the legal equality of all forms of ownership and the inviolability of private property, the Rada has not passed legislation to implement these constitutional guarantees. The Government of Ukraine did resolve a few long-standing disputes with U. S. firms in 2000, although others remain.

In 1998, Ukraine was placed on the Special 301 Watch List because copyright piracy is extensive and enforcement is minimal, causing substantial losses to U.S. industry. On May 1, 1999, Ukraine was moved to the Priority Watch List. Since that time, Ukraine has taken insufficient steps to improve its IPR regime and has become the world's largest exporter of pirated compact discs. During President Clinton's visit to Kiev in June 2000, Ukraine and the U.S. agreed to a Joint Action Plan to combat optical media piracy. The goal is to implement the plan in full by March 2001. If eventually implemented, it will be the most important IPR milestone in Ukraine to date.

With a few significant exceptions, imports and exports are unrestricted. Ukraine seeks to join the World Trade Organization, and President Kuchma and other government officials reiterated this goal throughout the year. The Working Group on Ukraine's Accession to the WTO had a productive meeting in Geneva in July, which was followed by bilateral meetings in Washington in September. Much work remains, particularly in the passing of needed legislation.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The Ukrainian constitution provides a good legal framework for protecting civil and political rights. However, some constitutional provisions still await the passage of enabling legislation so actual human rights practices often do not conform to constitutional requirements. Ukraine has a large and active independent press but criticism of the President is often not tolerated well by the government. This issue took a sinister turn with the September disappearance of Internet journalist Heorgiy Gongadze. Amid fresh allegations of Presidential involvement in his disappearance, and following the discovery of a body that relatives believed to be Gongadze's, as of December 2000, the government's investigation was moving slowly.

Abuses also continue in the unreformed legal and penal systems, particularly in pre-trial detention facilities where police and prison officials regularly beat detainees and prisoners, and in the military, where violent hazing incidents of conscripts have led to fatalities. Lengthy pretrial detention is common. Violence and discrimination against women and racial minorities persist. Harassment of racial minorities, including by the police, is a problem.

Ukraine is an important source country for girls and women trafficked for sexual exploitation. The government has taken steps to address this problem. An April 1998 amendment to the criminal code imposes harsh penalties for trafficking in human beings, and 36 criminal cases have been initiated. Other sections of the criminal code, including fraud and illegal

business activities are also being used to help combat trafficking. In April 2000, the U.S. and Ukraine hosted a law-enforcement anti-trafficking workshop with participation of officials from 12 source, transit and destination countries.

The government generally does not interfere with the registration or practicing of religions and has allowed the opening of seminaries and Jewish religious schools. There are some restrictions on the activities of non-native religions, but the government's overall record is good (and better than that of many of its neighbors) on interethnic and inter-communal matters, particularly with Ukraine's 500,000-strong Jewish community. The Ukrainian Government continues to speak out against infrequent anti-Semitic manifestations in the nationalist press.

With the assistance of the OSCE, the Governments of Ukraine and Uzbekistan agreed in 1998 to simplify procedures for more than 65,000 Crimean Tatars to relinquish their Uzbek citizenship and to abolish the fee formerly charged by Uzbekistan. Ukrainians who wish to travel abroad are able to do so freely. Exit visas are not required. The government can deny passports to individuals with access to state secrets, but this is rarely done and can be appealed.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

Ukraine adheres to obligations under the Helsinki Final Act and the Charter of Paris and respects international law. Ukraine has no territorial claims on other states. In 1997, it signed a treaty with Romania to assist in resolving border disputes. Ukraine also reached a border agreement with Belarus in 1997, which was signed by both presidents and later ratified by the Ukrainian parliament. The Belarusian parliament has yet to ratify the agreement, but it is being observed by both sides. In addition, Ukraine sought the advice and counsel of the OSCE in resolving peacefully outstanding political differences regarding Crimea. The OSCE mission in Ukraine, its mandate on Crimean issues largely fulfilled, was replaced in May of 1999 with an OSCE project office. OSCE observers monitored the two rounds of the presidential election in October and November 1999. In November 1999, Ukraine joined the other OSCE states in signing the Charter for European Security, which reaffirms full adherence to all OSCE documents already in force.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

Ukraine has played a constructive role in the search for a peaceful resolution of separatist disputes in its region. In neighboring Moldova, it has participated in multilateral talks, including hosting a summit meeting in Kiev in the fall of 1999, and by attempting to interdict arms shipments into and out of the disputed region of Transnistria. Its offer of peacekeepers for the CIS force in Abkhazia has not been accepted, but Ukraine joined the Friends of the Secretary General in December 1999. A treaty with Romania, signed in 1997, resolved most questions involving a highly politicized border question and established a procedure to resolve the remaining issues. In May 1997, Ukraine and Poland signed a Declaration of Historical Reconciliation to improve Polish-Ukrainian ties. Also in 1997, the Governments of Russia and Ukraine signed several agreements towards resolving issues concerning Sevastopol and the former Soviet Black Sea Fleet, and also signed a Treaty of Friendship and Cooperation, both of which have been ratified by the respective parliaments. In October of 1999, Ukraine was elected as a non-permanent member of the UN Security Council for a two-year term beginning in 2000. Ukraine is contributing almost 1,000 peacekeepers to missions in the Balkans, the Middle East, Africa, and South Asia. Since November 1999 Ukrainian peacekeepers, with the support of the U.S. and other Allies, have been deployed in Kosovo as part of the UKRPOLBAT Ukrainian-Polish battalion, attached to the U.S. sector commander. A Ukrainian helicopter detachment is also serving with KFOR.

Within its own borders, Ukraine fostered peaceful resolution of political differences with Crimea by inviting and encouraging the active participation of the OSCE in evaluating the situation and making recommendations. The constitution grants a certain degree of autonomy to Crimea. Ukraine also has made clear efforts to guarantee rights of persons belonging to minorities and has been free of widespread ethnic conflict. Ukraine has offered to host an OSCE institution devoted to inter-ethnic relations.

Section 498A(a)(6): "implement responsible security policies, including:

- (A) adhering to arms control obligations derived from agreements signed by the former Soviet Union;**
- (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements;**
- (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and (D) restraining conventional weapons transfers."**

In 1992, Ukrainian President Kravchuk made a written commitment to the United States that Ukraine would have a "non-nuclear status" and in 1994 Ukraine acceded to the NPT as a non-nuclear-weapons state. By 1996, all of the nuclear

weapons on Ukrainian territory had been withdrawn to Russia. Ukraine is not engaged in the proliferation of nuclear, biological, or chemical weapons, or related technology. Ukraine is a party to both the START I, and INF Treaties and is an active participant in the Joint Compliance and Inspection Commission and Special Verification Commission to implement details of the Treaty. It has been a participant in the Standing Consultative Commission, in discussion and negotiation on Anti-Ballistic Missile (ABM) Treaty succession. Ukraine signed the Comprehensive Nuclear Test Ban Treaty in September 1996 and the Rada ratified the CTBT on November 16, 2000.

The CFE Treaty was ratified by the Ukrainian Rada in July 1992. Ukraine ratified the 1996 CFE flank agreement in 1997, and has participated actively in negotiations to adapt the CFE Treaty, which was signed by Ukraine and representatives of all 30 CFE States at the Istanbul Summit in 1999. Ukrainian compliance with CFE has been generally good, although there are a number of lingering compliance concerns. Ukraine participates in the CFE Joint Consultative Group, the Treaty's implementation body, which meets in Vienna. Ukraine has provided data on equipment as required by the Treaty and has also hosted on-site inspections as provided for in the Treaty. One concern relates to the obligation that Ukraine shares with Russia related to equipment in naval infantry and coastal defense forces (NI/CD). Ukraine is in compliance with overall Treaty limits, but has not fully met the reduction obligation it undertook as a result of the break-up of the Soviet Union. Ukraine maintains that because the total of its equipment of CFE-limited types in conventional forces and in NI/CD units is at or below Ukraine's overall CFE ceilings, the main purpose of the NI/CD obligation has been achieved; and that it is unreasonable to ask Ukraine to expend resources to destroy equipment below its CFE ceiling. This issue and other, more technical concerns, have been discussed bilaterally and in the JCG context.

Ukraine also participates in implementation of the OSCE's Vienna Document on confidence and security building measures. Ukraine has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2000 and has willingly undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document .

Ukraine has cooperated with efforts to limit proliferation of weapons and technologies of mass destruction. An original signatory to the 1993 Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and their Destruction, Ukraine ratified the agreement in October 1998. Ukraine is a party to the 1972 Convention on the Prohibition of the Development, Production, and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction. Ukraine has actively supported U.S. and international efforts to promote nonproliferation in South Asia, including chairing the multilateral South Asia Task Force during 1999. Ukraine is a member of the Nuclear Suppliers Group and as such has adopted current international export standards, including the NSG commitment to require fullscope safeguards as a condition of nuclear supply. Ukraine has cooperated constructively on individual cases of concern raised by the United States and has stated that it will not provide assistance to unsafeguarded nuclear programs. In March 1998, Ukraine took the positive, politically difficult step to withdraw its participation in a project to provide key components for an Iranian nuclear power plant.

The U.S. Government works closely with Ukraine to improve its export control system and to stop the proliferation of conventional arms and weapons of mass destruction. While Ukraine has the potential to be a major arms supplier, it is complying with the Wassenaar Arrangement and has been responsive to U.S. inquiries about alleged arms dealings with states of concern. Additional information relevant to conventional arms transfers has previously been provided to Congress on a classified basis.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant transborder pollution, and promote sustainable use of natural resources."

Significant environmental problems remain in Ukraine, particularly from the after-effects of Chernobyl and widespread industrial pollution. The Ukrainian Government's capacity to manage regulatory programs is insufficient to the task, as many environmental functions have been decentralized. Nevertheless, environmental consciousness is growing, led by an active green movement.

In 1995, Ukraine signed a Memorandum of Understanding (MOU) with the G-7 on a comprehensive program to close the Chernobyl nuclear power plant by the year 2000. The United States has worked closely with Ukraine and our G-7 partners to implement the MOU. The program seeks to help Ukraine undertake energy sector reforms and power sector investments needed to ensure that Ukraine's power needs will continue to be met after the closure of Chernobyl. On December 15, 2000, in accordance with plans announced by President Kuchma in June 2000, the Chernobyl plant was closed.

The Government of Ukraine has taken steps to address environmental issues, mainly through the Ministry of Environment and Nuclear Protection. Ukraine has met its commitments under the UN Framework Convention on Climate Change and

is developing investment projects for the mitigation of greenhouse gas emissions. Given the Ukrainian economy's poor performance to date, however, full implementation of a pollution fee system taxing air and water emissions and solid waste disposal has lagged. National environmental NGOs are slowly gaining access to the policy-making process on environmental issues. Ukraine has shown an interest in regional cooperation on environmental issues and has agreed to the establishment of a coordination and information sharing mechanism as a first step toward fuller cooperation on international environmental issues. During the December 1999 meeting of the U.S.-Ukraine Binational Commission, President Kuchma and Vice President Gore signed an agreement establishing a Regional Environmental Center (REC) to strengthen civil society and support sustainable development by promoting public awareness and participation in environmental decision-making and provide modest grants to NGOs for projects. The U.S. Government and the EU are providing the funding for the REC, which opened in 2000. Ukraine is also working with the United States, EU and others to address pollution problems in the Black Sea; in September 1999, the Government of Ukraine joined with the U.S. Department of Energy in co-hosting a regional Oil Spill Response System Workshop in Odesa.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Ukraine does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Ukraine has signed ten of the twelve international counter-terrorism conventions.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In October 1991, shortly before the Soviet Union dissolved, Russia and nine other Soviet republics signed a Memorandum of Understanding (MOU) declaring themselves jointly and severally liable for the foreign debts of the Soviet Union (Ukraine did not sign this MOU). In December 1991, Russia and seven other NIS countries, including Ukraine, signed an agreement which assigned to each country a share of all the external assets and foreign debt of the former Soviet Union. Beginning in 1992, Russia sought to replace the joint and several liability principle by seeking full liability for the debt in return for all the external assets. In December 1994, Ukraine signed a "zero option" agreement with Russia under which Russia agreed to pay Ukraine's share of the debt of the former Soviet Union (FSU) in return for Ukraine's share of the assets of the FSU. However, Ukraine's Rada has not ratified the agreement and Kiev is still negotiating its details with Moscow. Disputes over ownership of former USSR diplomatic property continue.

Please see section 498(a)(9) of the above Russia assessment regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs, established in March 1992. The U.S. side of the Commission visited Ukraine in December 1992 and August 1993. Ukraine continues to cooperate in the search for evidence on American POWs/MIAs.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing of military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Ukraine is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

CHECKLIST FOR GROUNDS OF INELIGIBILITY UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961

UKRAINE

Section 498A(b)(1): Has the President determined that the Government of Ukraine has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. While problems remain in the observance of certain freedoms, we do not believe that the Government of Ukraine is engaged in such a pattern. Nonetheless, we will work to better address existing problems in the area of democracy and human rights not only through diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Ukraine "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. Ukraine has taken numerous actions to facilitate the implementation of arms control agreements signed by the USSR.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Ukraine "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No. We do not believe that the Government of Ukraine has made such transfers. We occasionally see reports of missile-related cooperation between Ukrainian entities and countries of proliferation concern and have sought cooperation from the Government of Ukraine to prevent such transactions.

Section 498A(b)(4): Is the Government of Ukraine "prohibited from receiving such assistance by section 101 or 102 of Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991"?

No.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Ukraine "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Ukraine under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We do not have information from which to conclude that the Government of Ukraine is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government. .

CRITERIA FOR U.S. ASSISTANCE UNDER SECTION 498A(a) OF THE FOREIGN ASSISTANCE ACT OF 1961

UZBEKISTAN

Section 201 of the FREEDOM Support Act amended Section 498A of the Foreign Assistance Act of 1961 to require that the President "take into account not only relative need but also the extent to which that independent state is acting to:"

Section 498A(a)(1): "make significant progress toward, and is committed to the comprehensive implementation of, a democratic system based on principles of the rule of law, individual freedoms, and representative government determined by free and fair elections."

Chosen president in a 1991 election that most observers considered flawed, President Islam Karimov had his term in office extended until 2000 in a Soviet-style referendum in March 1995. The government has not permitted the existence of an opposition party since 1993. Although the Constitution provides for the separation of powers between the executive, legislative, and judicial branches, Karimov and the centralized executive branch that serves his authoritarian regime dominate political life.

In December 1999, Uzbekistan held parliamentary elections and in January, 2000, Karimov was elected to a second term with 92.5 percent of the vote. The government denied registration to independent political parties and other groups potentially critical of the government, making meaningful elections impossible. Following the parliamentary elections, OSCE's Office for Democratic Institutions and Human Rights (ODIHR) issued an assessment which stated that these elections "fell short of OSCE commitments enshrined in the Copenhagen document for democratic elections," and that Uzbekistan's "commitments for a free, fair, equal, transparent and accountable election were breached." Furthermore, ODIHR stated that it could not "justify the deployment of an observation or assessment mission" to the presidential election because "the voters of Uzbekistan will have no genuine choice and the election cannot be considered competitive." The OSCE likewise adjudged the presidential election, in which even the opposition candidate acknowledged voting for Karimov, to have fallen short of international standards.

The government also continued to deny registration of independent human rights NGOs, to hold a number of political prisoners, and to fail to account for the disappearance since 1992 of four Muslim religious leaders for which the Government of Uzbekistan is believed to be responsible. Police routinely planted evidence on suspects, and with the national security service committed numerous serious abuses of the rights of Muslims they suspected of harboring Islamist extremist sympathies. Despite a 1997 law providing for prison reforms and assuring basic rights for prisoners, prison conditions remained poor.

Although guaranteed by the constitution and by law, freedom of the press does not exist in Uzbekistan. The constitution prohibits censorship, but newspapers may not be printed without the censor's approval. Self-censorship is practiced by the few independent sources of information in Uzbekistan as a way of avoiding censorship or worse from the government. Almost all newspapers are the organs of government institutions or other government-dependent institutions. The few independent radio and television stations are closely monitored by the government and generally exercise self-censorship. Radio Free Europe/Radio Liberty and the Voice of America are not permitted to broadcast from within the country, despite the government's 1992 contractual agreement to allow this activity. The government allows both organizations to have correspondents in the country. The BBC World Service was required to broadcast on a very low FM frequency, which most radios are unable to receive.

Limited numbers of foreign periodicals can be found in Tashkent, and authorized groups can obtain foreign periodicals through subscription. There are no private publishing houses, and government approval is required for all publications.

A mass media law, which came into effect in January 1998, guarantees freedom of expression, protects the rights of journalists and reiterates the ban on censorship. Nonetheless, several articles are worded in such a way that they could be used to punish government critics. One provision makes journalists responsible for the truth of the information contained in their news stories, potentially subjecting journalists to prosecution if a government official disagrees with a news report. Another permits authorities to close media outlets without a court judgment. Two TV stations were closed in 1999 under this provision; only one was allowed to reopen in 2000. Observers believe the dissident political background of the owner of the second station was the reason for the government's refusal to grant it a new license. Finally, the law prohibits registration of organizations whose purposes include subverting or overthrowing the constitutional order.

A new decree requires that all Internet service providers route their connections through a government server to prevent access to information the government considers harmful. Despite this, there appears to be a regular increase in Internet providers who are not using the government's Internet service.

Section 498A(a)(2): "make significant progress in, and is committed to the comprehensive implementation of, economic reform based on market principles, private ownership, and integration into the world economy, including implementation of the legal and policy frameworks necessary for such reform (including protection of intellectual property and respect for contracts)."

Despite improvement in Uzbekistan's legislative framework and a continued rhetorical commitment to gradual transition to a market economy and support for foreign investment, progress toward market reform has been limited. Notwithstanding previous promises that convertibility of the Uzbek soum would be introduced in the year 2000, access to foreign exchange remained severely restricted and the system of multiple exchange rates remained in place. On July 1, 2000 the government created a new administratively set rate for certain commercial transactions, a significant devaluation for those transactions. That new rate has moved only once, and very slightly, since its introduction, while the value of the soum on the curb market continued to fall. Sharply restricted access to foreign exchange further hampered foreign investment growth. A requirement from early 1999 to convert half of export earnings into local currency at the highly overvalued official exchange rate continued to discourage exports. As a result of these policies, progress on privatization remained slow, and more foreign investors scaled back or ceased their operations in Uzbekistan. The government did make some progress in improving the business climate for small and medium enterprises. Banking restrictions on their access to cash soum were eased, and intrusive regulatory inspections were curtailed.

Uzbekistan is a member of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD), the Asian Development Bank (ADB), and the European Bank for Reconstruction and Development (EBRD). In September 1998, it submitted its Memorandum of Foreign Trade Regime to the World Trade Organization (WTO) secretariat, its first concrete step toward WTO membership. No further progress was made toward WTO accession since then, however.

An OPIC agreement entered into force in October 1992, and a bilateral trade agreement that includes intellectual property rights provisions entered into force in January 1994. The bilateral investment treaty signed in December 1994 received the advice and consent of the U.S. Senate in October, after it received the Administration's commitment not to bring the treaty into force until Uzbekistan undertakes economic reform so that its policies are not in violation of the treaty's terms. Preliminary discussions on a treaty to avoid double taxation began in 1993, but major tax reform in Uzbekistan will be necessary before negotiations can move forward.

Section 498A(a)(3): "respect internationally recognized human rights, including the rights of minorities and the rights to freedom of religion and emigration."

The 1992 law on citizenship and the constitution prohibit discrimination on the basis of sex, religion, language, or social status, and officially sanctioned discrimination does not occur. The government continues to voice rhetorical support for human rights but does not protect them in practice. The election, religion and media laws all contain statements of principle that, if adhered to in practice, would substantially improve the government's human rights record.

In response to a major terrorist incident in February 1999, the government carried out a crackdown against suspected Islamic extremists, including members of purportedly non-violent groups and Muslims considered suspect merely for their piety. Thousands of people were arrested, many after police had planted on them narcotics, weapons, ammunition, or Islamic-oriented political literature. Families were often denied access to prisoners. Sometimes, they were denied all contact. Accusations of torture while in custody were not uncommon; there were credible reports that security force mistreatment resulted in several deaths in custody. Many of the trials of such suspects were closed to the public and to foreign observers. Many clearly were not conducted fairly. Although the number of arrests slowed and some prisoners were released after admitting and then renouncing their connections to political Islam, the crackdown continued throughout 2000, with scores of young persons receiving lengthy prison sentences.

The government continued severely to limit freedom of speech and the press, and it remained virtually impossible for citizens to criticize the government publicly without repercussions. Human rights activists were subject to surveillance and harassment. The government has granted academic institutions more autonomy than they had in the Soviet period.

The vast majority of Uzbekistan's citizens are free to worship as they choose. However, the onerous registration requirements and restrictions on religious expression enacted in the 1998 law on religion remain in force. Most non-Muslim groups have been able to register under the law. However, some remain unregistered and are occasionally subject to harassment and detention for such offenses as meeting together to pray. In response to repeated diplomatic approaches, the Government of Uzbekistan agreed to adopt a more flexible attitude as regards unregistered non-Muslim religious groups. This has included expedited registration of such groups, even those not meeting the strict requirements of the religion law; release of leaders of unregistered non-Muslim religious groups arrested in connection with their religious activities; and the offer to chair a conference with the purpose of re-examining the religion law. This conference was held in February, and was attended by government representatives, domestic and international NGOs, and foreign diplomats. Although some human rights activists criticized the conference for lacking substance, several participants, including some Uzbek officials, voiced support for amending the religion law to make it less restrictive. In May, President Karimov himself suggested Parliament consider making improvements to the law. By year's end, however, no further action had been taken.

Regarding the government's relations with unregistered Islamic groups, numerous mosques have been closed and devout Muslims have been harassed, and in some cases arrested, as the government cracks down on what it perceives as political Islam.

The constitution provides for free movement within the country and across its borders. As a result of a reform of regulations in 1995, exit visas are generally easy to obtain, are valid for a period of two years, and do not require an invitation from abroad. Local authorities sometimes withhold or delay issuance of passports or visas for political and administrative reasons to prevent persons from making short-term trips abroad, including some individuals selected to participate in official exchange programs. Some persons allegedly received their passports or exit visas only after paying bribes. Those who leave without an exit visa may be subject to severe penalties upon return.

Although in some instances emigrants are delayed by long waits for passports and exit visas, potential emigrants who can find a host country willing to accept them are able to leave the country. Since independence, a significant number of ethnic Russians, Jews, Ukrainians, and others have emigrated from the country, although no exact figures are available. Ethnic Russians have been dismissed from almost all the high government positions they held and from the military. However, by most accounts, emigration occurred not because of any systematic human rights abuses, but rather because of concern that economic and social conditions would decline in Uzbekistan. More recently, there has been a return of some emigrants, especially from Russia.

Section 498A(a)(4): "respect international law and obligations and adhere to the Helsinki Final Act of the Conference on Security and Cooperation in Europe and the Charter of Paris, including the obligations to refrain from the threat or use of force and to settle disputes peacefully."

The Government of Uzbekistan generally has respected international law and obligations, including those arising from non-proliferation and weapons control treaties it has signed. It joined the OSCE in January 1992. An OSCE regional office opened in Tashkent in September 1995, and the OSCE has held several national or regional seminars in Uzbekistan on human rights and other subjects. Nevertheless, the government continues to violate its commitments under various agreements to protect human rights, as detailed above.

In response to the Summer 2000 incursions into Uzbek territory from Kyrgyzstan and Tajikistan by militants of the Islamic Movement of Uzbekistan, the Uzbek military laid anti-personnel mines in some border areas. Several people have reportedly been killed and injured by these mines.

Section 498A(a)(5): "cooperate in seeking peaceful resolution of ethnic and regional conflicts."

The Government of Uzbekistan supports regional and international efforts to resolve the conflicts in neighboring Tajikistan and Afghanistan. The government successfully brought the parties to the Afghan conflict to the table under the auspices of the eight-nation contact group, the "6+2", and continues to work for peace within that framework. Uzbekistan supports the UNSC sanctions against the Taliban.

The Government of Uzbekistan is a guarantor of the 1998 Tajik peace accords and has allowed UNHCR to repatriate Tajik refugees from northern Afghanistan through Uzbekistan. It has continued to support the Tajik peace accords while criticizing Tajikistan for harboring forces of the Islamic Movement of Uzbekistan.

Section 498A(a)(6): "implement responsible security policies, including:

(A) adhering to arms control obligations derived from agreements signed by the former Soviet Union; (B) reducing military forces and expenditures to a level consistent with legitimate defense requirements; (C) not proliferating nuclear, biological, or chemical weapons, their delivery systems, or related technologies; and (D) restraining conventional weapons transfers."

The Government of Uzbekistan supports international efforts to eliminate nuclear, chemical and biological weapons and has consistently reiterated its acceptance of relevant arms control obligations of the Former Soviet Union. Uzbekistan became a party to the Treaty on the Non-Proliferation of Nuclear Weapons as a non-nuclear-weapons state on May 2, 1992. Following up on a conference on a Central Asian Nuclear Weapons Free Zone in September 1997, which it hosted, it participated in a second conference which produced a draft treaty, circulated for comment to the five NPT nuclear weapon states, in July 1998. Uzbekistan hosted a February 1999 meeting of an experts group that is negotiating this treaty and protocol, and participated in three additional meetings of this group through 1999-2000. Considerable progress has been made on the text of a treaty and protocol, but no additional meetings have been held with the five nuclear-weapons states. Uzbekistan also participated in the 2000 Non-Proliferation Treaty Review Conference. Additionally, Uzbekistan has acknowledged it is a successor to the former Soviet Union's obligations under the INF Treaty. Although it does not actively participate in the Special Verification Commission, it continues to observe the Treaty's obligations.

We do not believe that the Government of Uzbekistan has engaged in the proliferation of nuclear, biological, or chemical weapons. We have seen occasional, unconfirmed reports of possible assistance from Uzbekistan-based entities to missile programs of concern, and have sought cooperation by the Uzbek Government to halt such activity. Uzbekistan has signed and ratified the 1996 Comprehensive Nuclear Test Ban Treaty (CTBT) and the 1993 Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC); and acceded to the 1972 Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (BWC). It has filed a declaration with the Organization for Prohibition of Chemical Weapons. To our knowledge, the Government of Uzbekistan has not engaged in any significant level of conventional arms transfers. It has taken steps to develop its own export control system, and it has positively engaged with U.S. cooperative programs to counter proliferation and develop export controls. Under the terms of the Cooperative Threat Reduction (CTR) agreement of May 1999, the Uzbek Government has worked alongside U.S. Defense Department experts to dismantle, remove and destroy the specialized equipment and infrastructure of the Soviet-era chemical weapons-associated facility in Nukus. We anticipate destruction of both the facility and specialized equipment to be completed by July 2001. Upon CTR confirmation of destruction, the U.S. will likely certify Uzbekistan in compliance of the CWC.

The Government of Uzbekistan has armed forces of some 90,000 troops. The government does not allow the basing of foreign forces on its territory.

Uzbekistan has submitted Confidence- and Security-Building Measures (CSBM) annual data declarations for 1995-2000 and has undergone CSBM inspections and evaluation visits in accordance with the OSCE Vienna Document, although not without some difficulties. On two separate occasions in 2000, Uzbekistan refused legitimate U.S. inspections under the Vienna Document, claiming technical difficulties. Extensive bilateral contacts provided opportunities to reinforce the importance of meeting Vienna Document commitments, but the United States was not able to execute either inspection. Following the refused U.S. inspections, however, Uzbekistan did receive CSBM inspections from two other states.

Section 498A(a)(7): "take constructive actions to protect the international environment, prevent significant trans-border pollution, and promote sustainable use of natural resources."

Uzbekistan has suffered severe environmental problems, including lingering agrochemical pollution, as a result of the cotton monoculture imposed during the soviet era. The government has supported a shift of some lands from cotton to grain production, which could mitigate the problem, but it continues to rely on a state order system for cotton, grain, and rice. This forces farmers to grow set amounts of these crops, thus exacerbating water shortages, land degradation, and the inexorable decline of the Aral Sea. Serious public health issues including HIV/AIDS and tuberculosis continue to present a challenge to Uzbekistan and its neighbors.

The government, bilaterally and through regional organizations, seeks international assistance to deal with these issues, and several government committees deal with specific environmental and ecological issues. The Uzbek Government's fund for ecology and health of Uzbekistan has worked to increase the public consciousness and understanding of environmental problems. Recently, Uzbekistan joined the other Central Asian states in a decision to locate the headquarters of a regional environmental center (REC) in Almaty, Kazakhstan. The mission of this independent, non-profit, and non-political organization will be to strengthen civil society and support sustainable development by promoting

public awareness and participation in regional environmental decision-making. In line with the Nukus declaration of September 1995, Uzbekistan and its neighbors continue to cooperate on problems of the Aral Sea watershed, most notably with a March 1998 multi-year agreement on water- and power-sharing. This agreement, and the interstate council by which it was negotiated, was expanded in March 1998 to include Tajikistan. Uzbekistan has also been an active and constructive participant in international environmental negotiations, most notably on climate change.

Section 498A(a)(8): "deny support for acts of international terrorism."

The Government of Uzbekistan does not grant sanctuary from prosecution to individuals or groups that have committed acts of international terrorism or otherwise support international terrorism. Uzbekistan has signed nine of the twelve international counter-terrorism conventions. Uzbekistan actively works to increase international cooperation aimed at defeating terrorist movements.

In August, armed militants of the Islamic Movement of Uzbekistan (IMU) made incursions into Uzbekistan, as well as neighboring Kyrgyzstan, but were repulsed and, according to the Uzbek Government, defeated. This group, which Uzbekistan believes to have been responsible for fatal terrorist attacks in February 1999 targeting President Karimov, employed further terrorist tactics in these incursions. These acts included lethal attacks on civilian law enforcement officials and kidnapping of foreign nationals and others, including four American tourists. In October 2000, the U.S. Government designated the IMU a Foreign Terrorist Organization.

Section 498A(a)(9): "accept responsibility for paying an equitable portion of the indebtedness to United States firms incurred by the former Soviet Union."

In November 1992, Uzbekistan signed a "zero option" agreement with Russia under which Russia will pay Uzbekistan's share of the debt of the former Soviet Union in return for Uzbekistan's share of the FSU's external assets.

Please see section 498A(a)(9) of the above Russia assessment regarding indebtedness to the United States incurred by the former Soviet Union.

Section 498A(a)(10): "cooperate with the United States Government in uncovering all evidence regarding Americans listed as prisoners-of-war, or otherwise missing during American operations, who were detained in the former Soviet Union during the Cold War."

The U.S. Government's effort to uncover evidence of American POWs and MIAs in the former Soviet Union is being conducted through the U.S.-Russian Joint Commission on POWs/MIAs that was established in March 1992. The Government of Uzbekistan has been cooperative with all related interviews conducted in Uzbekistan and in February 1996 hosted a successful visit by the Commission.

Section 498A(a)(11): "terminate support for the communist regime in Cuba, including removal of troops, closing military and intelligence facilities, including the military and intelligence facilities at Lourdes and Cienfuegos, and ceasing trade subsidies and economic, nuclear, and other assistance."

The Government of Uzbekistan is not providing military, economic, nuclear, or other assistance to the Government of Cuba.

**CHECKLIST FOR GROUNDS OF INELIGIBILITY
UNDER SECTION 498A(b) OF THE FOREIGN ASSISTANCE ACT OF 1961**

UZBEKISTAN

Section 498A(b)(1): Has the President determined that the Government of Uzbekistan has "engaged in a consistent pattern of gross violations of internationally recognized human rights or of international law"?

No. However, the U.S. Government is concerned by the human rights situation in Uzbekistan. Lack of the freedoms of association, assembly, and press make real democracy impossible, while police planting of evidence, unfair and closed trials, and torture make a mockery of justice in Uzbekistan. The law on religion continues to restrict freedom of conscience. We will continue to monitor the Uzbekistan Government's human rights performance and keep this issue a key part of our bilateral relationship. We will also work to better address Uzbekistan's human rights problems not only through our diplomatic efforts but also through our assistance programs.

Section 498A(b)(2): Has the President determined that the Government of Uzbekistan "has failed to take constructive actions to facilitate the effective implementation of applicable arms control obligations derived from agreements signed by the former Soviet Union"?

No. We do not think that the Government of Uzbekistan has failed to take such actions.

Section 498A(b)(3): Has the President determined that, after October 24, 1992, the Government of Uzbekistan "knowingly transferred to another country

(A) missiles or missile technology inconsistent with the guidelines and parameters of the Missile Technology Control Regime; or

(B) any material, equipment, or technology that would contribute significantly to the ability of such country to manufacture any weapon of mass destruction (including nuclear, chemical, and biological weapons) if the President determine[d] that the material, equipment, or technology was to be used by such country in the manufacture of such weapon"?

No such determinations were made with respect to Uzbekistan in 2000.

Section 498A(b)(4): Is the Government of Uzbekistan "prohibited from receiving such assistance by section 101 or 102 of the Arms Export Control Act or sections 306(a)(1) and 307 of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991?"

No. The Government of Uzbekistan is not prohibited from receiving assistance under these statutes.

Section 498A(b)(5): Has the President determined and certified to the appropriate congressional committees that the Government of Uzbekistan "is providing assistance for, or engaging in non-market-based trade (as defined in section 498B(k)(3)) with the Cuban Government? If so, has the President taken action to withhold assistance from Uzbekistan under the Foreign Assistance Act within 30 days of such a determination, or has Congress enacted legislation disapproving the determination within that 30-day period?"

No. We have no information from which to conclude that the Government of Uzbekistan is providing assistance for, or engaging in any non-market-based trade with, the Cuban Government.

V. EVALUATION OF THE USE OF “NOTWITHSTANDING” AUTHORITY

In FY 2000, the U.S. Government continued to use “notwithstanding” authority to respond to unanticipated needs and to provide assistance to the NIS. While U.S. Government agencies have been careful to limit their use of “notwithstanding” authority for NIS assistance programs, this authority has given them the flexibility to carry out their respective missions in the difficult working environment of the NIS countries.

Below are descriptions of four specific uses of the “notwithstanding” authority during FY 2000:

| <u>AGENCY</u> | <u>DATE</u> | <u>ACTIVITY</u> | <u>AMOUNT</u> |
|---------------|---------------------------|------------------------------------|----------------|
| USAID | Throughout FY 2000 | Personal Services Contracts | Various |

Rationale: USAID exercised “notwithstanding” authority throughout FY 2000 to waive legislation prohibiting federal agencies from employing individuals under personal services contracts (PSCs) to work in Washington. Since USAID-Washington has substantial management responsibilities for NIS programs, it has been necessary for the Bureau for Europe and Eurasia to employ Washington-based PSCs, especially technical specialists, to ensure adequate program management.

| <u>AGENCY</u> | <u>DATE</u> | <u>ACTIVITY</u> | <u>AMOUNT</u> |
|---------------------------------|---------------------------|---------------------------|----------------|
| U.S. Department of State | Throughout FY 1999 | Cooperative Grants | Various |

Rationale: Throughout FY 2000, the Humanitarian Programs Division of the Office of the Coordinator of U.S. Assistance to the NIS (S/NIS/C) exercised “notwithstanding authority” to award non-competitive follow-on grants to the following U.S. private voluntary organizations (PVOs) to provide continued emergency and transitional assistance to the NIS countries: Counterpart International, CitiHope, United Methodist Committee on Relief (UMCOR), Heart-to-Heart, International Relief and Development (IRD), Project Hope, A Call to Serve, Eaton-Hap and the World Council of Hellenes. S/NIS/C uses “notwithstanding authority” to meet emergency needs on a real-time basis, providing critically needed emergency commodities to displaced and/or suffering populations in partnership with U.S. PVOs in places like Azerbaijan, Georgia, Tajikistan, the North Caucasus, Ukraine and the Russian Far East.

| <u>AGENCY</u> | <u>DATE</u> | <u>ACTIVITY</u> | <u>AMOUNT</u> |
|-----------------------------|--------------------|---|---------------|
| U.S. Customs Service | August 2000 | Renovation of Georgian Border Guard Hangar | \$2.5m |

Rationale: As the State Department’s executive agent for the Georgia Border Security and Law Enforcement (BSLE) Program, the U.S. Customs Service (USCS) invoked “notwithstanding authority” to expedite the contracting process for the renovation of an aviation hangar for Georgia’s Border Guard by limiting the solicitation of bids to no more than three companies. The hangar, which is located in Tbilisi, Georgia, is to be used for housing, maintenance and service of Georgian Border Guard aviation assets and equipment, much of which has or is being provided through U.S. Government assistance. “Notwithstanding authority” was used to ensure that the facility would be renovated and available for use quickly so that U.S. Government-funded equipment provided through FY 2000 and equipment expected to be delivered in FY 2001 is not allowed to deteriorate.

| <u>AGENCY</u> | <u>DATE</u> | <u>ACTIVITY</u> | <u>AMOUNT</u> |
|----------------------|----------------|---|---------------|
| U.S. Customs Service | September 2000 | Expansion of Georgia Border Guard Communications System | \$2.0 m |

Rationale: As the State Department's executive agent for the Georgia BSLE Program, the USCS also invoked "notwithstanding authority" to acquire communications equipment for the Georgian Border Guard (GBG) for deployment along Georgia's border with Russia during a period of heightened tensions due to the conflict in Chechnya. The use of this authority allowed USCS to support a top U.S. and Georgian Government assistance priority. The communications equipment, which was tested and accepted by the GBG before it was procured and deployed, has proven to be highly effective in enabling the GBG to report territorial incursions and border activities to their headquarters in Tbilisi.

VI. ASSESSMENTS REQUIRED BY THE SILK ROAD STRATEGY ACT OF 1999

The Silk Road Strategy Act of 1999, which amends the Foreign Assistance Act of 1960 and was enacted as part of the FY 2000 Foreign Operations, Export Financing, and Related Programs Appropriations Act, requires that this annual report:

- evaluate the degree to which U.S. Government-funded assistance to Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan has helped accomplish the objectives laid out in the Silk Road Strategy Act;
- provide a "description of the progress being made by the United States to resolve trade disputes registered with and raised by the United States embassies in each country, and to negotiate a bilateral agreement relating to the protection of United states direct investment in, and other business interests with, each country" and
- recommend any additional initiatives that should be undertaken by the United States to implement the policy and purposes contained in the Silk Road Strategy Act.

The *FY 1999 Annual Report* addressed only the second item, based on information already at hand. This *FY 2000 Annual Report* addresses all three of the above items, reporting on progress subsequent to the enactment of the Silk Road Strategy Act in late November 1999.

For an evaluation of the degree to which U.S. Government-funded assistance programs in the Silk Road countries have helped accomplish the objectives laid out in the Silk Road Strategy Act, please see the country assessments in Part II of this report.

The U.S. Department of State has not been made aware of any trade disputes registered with and raised by the U.S. Embassies in the Silk Road countries; however, to make this report more useful, information about investment and other business disputes is provided below, along with a description of progress in negotiating bilateral investment treaties with the Silk Road countries. Additional information can be found in the Section 498A(a)(2) assessments in Part IV of this report.

The U.S. Government is funding robust ongoing assistance programs in each of the areas addressed in the Silk Road Strategy Act, and does not recommend the implementation of any new initiatives to implement the policy and purposes contained in the Act.

Armenia: The U.S.-Armenia Bilateral Investment Treaty entered into force on March 29, 1996. The State Department is not aware of any outstanding investment disputes involving U.S. citizens and the Government of Armenia.

Azerbaijan: The U.S. Government and the Government of Azerbaijan signed a Bilateral Investment Treaty on August 1, 1997. The U.S. Senate gave its advice and consent to ratification on October 18, 2000. Azerbaijan has completed its domestic ratification process. Entry into force is pending exchange of instruments of ratification. The State Department is aware of a number of outstanding investment disputes, including one outstanding investment dispute between a U.S. company and the Government of Azerbaijan relating to the release of equipment from customs. The U.S. Embassy in Baku helped the U.S. company raise the dispute with the Government of Azerbaijan, but the dispute has so far not been resolved and the U.S. company has not renewed contact with the Embassy since December 1999. A second dispute mentioned in the FY 1999 Silk Road report between a U.S. company and the Azerbaijan Government over nonpayment for telecommunications services was resolved in 2000.

Georgia: The U.S.-Georgia Bilateral Investment Treaty entered into force on August 17, 1997. The State Department is aware of an outstanding investment dispute between a U.S. company and the Government of

Georgia over the privatization of a winery. U.S. Embassy and other U.S. Government officials continue to monitor the case and assist the company in resolving the dispute.

Kazakhstan: The U.S.-Kazakhstan Bilateral Investment Treaty entered into force on January 12, 1994. The State Department is aware of a number of outstanding investment disputes, including four outstanding investment disputes between U.S. companies and the Government of Kazakhstan. The U.S. Government has been active in supporting these investors' attempts to resolve the disputes, several of which are currently before U.S. courts or have been submitted to international arbitration. In one dispute, involving the Government of Kazakhstan's refusal to issue a license to export uranium, a U.S. court found in the company's favor in 2000.

In two other cases, the U.S. companies involved took advantage of the dispute settlement provisions of the bilateral investment treaty and filed for international arbitration of the disputes. One of the companies subsequently obtained a favorable arbitration ruling over the expropriation of its oilfield concession, and reached a settlement with the Kazakhstan Government. The second company, a power producer, negotiated, prior to an expected arbitration ruling in its favor, an agreement with the Kazakhstan Government on the payment of debts owed to the company. In the fourth case, a dispute over mining concessions, the U.S. company settled most aspects of the dispute, although negotiations with the Kazakhstan Government are still ongoing.

Kyrgyzstan: The U.S.-Kyrgyzstan Bilateral Investment Treaty entered into force on January 12, 1994. The State Department is aware of an outstanding investment dispute between a U.S. company and the Government of Kyrgyzstan involving an alleged breach of the terms of its telecommunications joint venture agreement with the company. U.S. Embassy and other U.S. Government officials continue to monitor the case and assist the company in resolving the dispute.

Tajikistan: Negotiations on a Bilateral Investment Treaty between the U.S. Government and the Government of Tajikistan have been inactive since April 1993. Continuing civil strife in Tajikistan has ruled out further action to date. The State Department is aware of an outstanding investment dispute between a U.S. company and the Government of Tajikistan involving repayment of a loan given as part of a business deal to a Tajikistan state-owned company. The U.S. Embassy is monitoring this case and will continue to assist the U.S. company to reach a satisfactory resolution of the dispute.

Turkmenistan: Negotiations on a Bilateral Investment Treaty between the U.S. Government and the Government of Turkmenistan have been inactive since March 1998, pending action by the Government of Turkmenistan. The State Department is not aware of any outstanding investment disputes involving U.S. citizens and the Government of Turkmenistan.

Uzbekistan: The U.S. Government and the Government of Uzbekistan signed a Bilateral Investment Treaty on December 16, 1994. The U.S. Senate gave its advice and consent to ratification on October 18, 2000, after the executive branch gave its commitment not to bring the treaty into force until Uzbekistan undertakes economic reforms so that its policies are not in violation of the treaty's terms. Uzbekistan has completed its domestic ratification process. Entry into force is pending exchange of instruments of ratification, following satisfactory economic reforms by the Government of Uzbekistan. The State Department is aware of a number of outstanding investment disputes, including two between U.S. companies and the Government of Uzbekistan, over the seizures of the companies' imported goods. The U.S. Embassy is monitoring the cases and has provided appropriate assistance to each company.